

BOARD MEETING OF DECEMBER 20, 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
December 20, 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**

**December 20, 2007
9:30 am
Capitol Extension, E1.028
1500 N. Congress**

A G E N D A

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

Elizabeth Anderson
Chair of Board

PUBLIC COMMENT

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

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

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:

- a) Minutes of the Board Meeting of October 11, 2007
- b) Minutes of the Board Meeting of November 8, 2007

Multifamily Finance:

- c) Housing Tax Credit Interagency Contract with Office of Rural Community Affairs
- d) 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 2008 and Applications for Carryforward of Private Activity Bonds for the 2007 Program Year, Resolution No. 08-005

08605	Carrington Place	Dallas
08606	Ennis Family and Senior Estates	Ennis
08608	Broadway Place Apartments	San Antonio

HOME

- e) Presentation, Discussion and Possible Approval of HOME Homebuyer Assistance Program NOFA
- f) Presentation, Discussion and Possible Approval HOME Tenant-Based Rental Assistance Program NOFA
- g) Presentation, Discussion and Possible Approval of Revisions to HOME Rental Housing Development and Community Housing Development Organization (CHDO) NOFA's to be updated with adopted HOME Program Rule changes
- h) Presentation, Discussion and Possible Approval of Revisions to Housing Trust Fund Rental Production Program NOFA to be updated with adopted Housing Trust Fund Program Rule changes

- i) Presentation, Discussion and Possible Approval of the selection of an outside management firm to oversee the production of approximately three housing units in response to the Housing Trust Fund Texas Grow Home Demonstration Program Request for Proposals (RFP) issued October 15, 2007

Housing Resource Center:

- j) Presentation, Discussion and Possible Approval of the 2008 State of Texas Consolidated Plan: One-Year Action Plan
- k) Presentation, Discussion and Possible Approval of the 2008 State of Texas Low Income Housing Plan and Annual Report (Draft for Public Comment)

Community Affairs:

- l) Presentation, Discussion and Possible Approval of 2008 CEAP Awards
- m) Presentation, Discussion and Possible Approval of Balance of State Homeless Continuum of Care (BoS CoC) Request for Proposals funded with General Revenue funds
- n) Presentation, Discussion and Possible Approval for Allocation of 2008 Community Services Block Grant (CSBG) funds

Disaster Recovery:

- o) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery contracts administered by the Office of Rural Community Affairs (ORCA) for CDBG Round 1 Funding

060088	Trinity County
060089	Tyler County
060065	Orange County
060085	City of Surfside Beach
060058	City of Nederland
060003	Angelina County
060007	The City of Broaddus
060095	City of Zavalla
060035	City of Hudson
060080	Shelby County
060082	City of Silsbee
060046	City of Kirbyville
060060	City of Newton
060073	City of Port Neches
060010	City of Center
060009	City of Carthage
060033	City of Henderson
060084	City of Splendora
060021	City of Dayton
060066	City of Panorama Village
060018	City of Cove
060093	City of Willis
060011	Chambers County
060014	City of Cleveland
060029	City of Groves

ACTION ITEMS

Item 2: Presentation and Discussion of Internal Audit Division Items:

- a) Presentation, Discussion and Possible Approval of proposed FY 2008 Internal Audit Plan
- b) Presentation, Discussion and Possible Approval of proposed Fraud Hotline

- c) Presentation and Discussion of Internal Audit Report on the 9% Competitive Housing Tax Credit Program – Pre-Application and Notification Processes
- d) Presentation and Discussion of Internal Audit Report on the 9% Competitive Housing Tax Credit Program – Application and Award Processes
- e) Presentation and discussion of the status of prior audit findings

Item 3: Presentation, Discussion and Possible Approval to Publish Final Department Rules in the *Texas Register*

- a) Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and final order adopting new 10 TAC Chapter 53, HOME
- b) Presentation, Discussion and Possible Approval for publication in the *Texas Register* of a final order adopting new 10 TAC Chapter 60, Subchapter B, Accessibility Requirements

Item 4: Presentation, Discussion and Approval of HOME Division Items:

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

1000253	City of Lewisville	Lewisville, Texas
1000192	Midland Community Dev. Corp.	Midland, Texas
1000189	Edinburg Housing Opportunity Corp.	Edinburg, Texas

- b) Presentation, Discussion and Possible Approval of modification to the form of the loan providing assistance for the HOME Homebuyer Assistance (HBA) Program Directed to Assist Persons with Disabilities

Item 5: Presentation, Discussion and Possible Approval of Disaster Recovery Division Items:

- a) Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing
- b) Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to non-housing activities and infrastructure activities for CDBG Round 2
- c) Presentation, Discussion and Possible Approval to request an amendment to the Partial Action Plan for Disaster Recovery (CDBG Round 2) for the Restoration of Critical Infrastructure Program from the US Department of Housing and Urban Development
- d) Presentation, Discussion and possible Approval of an Amendment to the 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 City of Houston and Harris County Public Service and Community Development Program as approved on August 29, 2007 by the U.S. Department of Housing and Urban Development (HUD)

Item 6: Presentation, Discussion and 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

Appeals Timely Filed

Item 7: Presentation, Discussion and Possible Approval of Multifamily Division Items:

a) Presentation, Discussion and Possible Action on HTC Amendments

00032T	Victory Apartments
04105	Preston Trace
04118	Churchill at Commerce Apartment Community
04191	Tropical Gardens at Boca Chica
04193	Providence at Edinburg
04255	Freeport Oaks
04260	TownePark Fredericksburg II
04427	Rosemont at Hidden Creek
05004	Samuels Place
05026	Mesa Vista
05084	Pecan Village
05198	Olive Grove Manor
04167	Oxford Place
04157	Samaritan House

b) Presentation, Discussion and Possible Action for Housing Tax Credits Appeals:

07302	Casa Alton	Alton
07626	Costa Clemente	Angleton

Others timely filed

c) Presentation, Discussion and Possible Action on Request for Reallocation of Housing Tax Credits for Commons of Grace in Houston

d) Presentation, Discussion and Possible Reallocation of 2007 Housing Tax Credits and Possible Allocation of 2008 Housing Tax Credits

Item 8: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Multifamily Private Activity Bond Program Items:

a) Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:

07439	Jason Avenue Residential, Amarillo Panhandle Regional HFC is the Issuer Recommended Credit Amount of \$1,100,819
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07454	Encinal Apartments, San Antonio Bexar County HFC is the Issuer Recommended Credit Amount of \$0
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07457	Wyndham Park Apartments, Baytown Southeast Texas HFC is the Issuer Recommended Credit Amount of \$740,829
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07458	Park Shadows Apartments, Beaumont Jefferson County HFC is the Issuer Recommended Credit Amount of \$0
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07459	Seville Row Apartments, Beaumont Jefferson County HFC is the Issuer Recommended Credit Amount of \$0
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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
- c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
 1. With Respect to pending litigation styled *Brandal v. TDHCA* Filed in State Court in Potter County
 2. With regard to contract negotiations with selected vendor on HAP Disaster Recovery RFP
 3. 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

Executive Director's Report

1. TDHCA Outreach Activities, November 2007
2. Report on planned programming of balance of uncommitted and deobligated HOME funds
3. Status of Chaparral Townhomes

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 Street, Austin, Texas 78701, and request the information. Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least 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.

EXECUTIVE OFFICE – BOARD

**BOARD ACTION REQUEST
December 20, 2007**

Action Item

Minutes of the Board Meeting of October 11, 2007.

Required Action

Review minutes of the October 11, 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**

**October 11, 2007; 8:30 am
Capitol Extension, E1.028; 1500 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 October 11, 2007 was called to order by Chair, Elizabeth Anderson at 8:37 a.m. It was held at the Capitol Extension, E1.028, 1500 N. Congress, Austin, Texas. Roll call certified a quorum was present.

Members Present:

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

Members Absent:

The Honorable Norberto Salinas – Member
Shadrick Bogany – Member

Chair Anderson welcomed Ms. Cristen Wohlgemuth, the Department's housing advisor with the Governor's Office, Mr. Jonathan Hurst, with the Senate Finance Committee, and Mr. Don Jones, with the office of State Representative Jose Menendez.

PUBLIC COMMENT

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

The Honorable Representative Mike Hamilton, provided testimony regarding Hurricane Rita recovery efforts and needs in Hardin and Orange Counties.

John Henneberger, Texas Low Income Housing Information Service, provided testimony regarding the status of the Hurricane Rita recovery efforts in the State of Texas.

Darrell Jack, Apartment Market Data, provided testimony regarding the QAP

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 1:

Approval of the following items presented in the Board materials:

HOME Division:

- a) Presentation, Discussion and Possible Approval to amend the 2007 Community Housing Development Organization (CHDO) Rental Housing Development Program Notice of Funding Availability (NOFA)
- b) Presentation, Discussion and Possible Approval to amend the 2007 Rental Housing Development Program Notice of Funding Availability (NOFA)
- c) Presentation, Discussion and Possible Approval of the Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA)

Bond Division:

- d) Presentation, Discussion and Possible Approval of Resolution No. 08-001 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2006 Series A-C (Program 66)

Portfolio Management and Compliance Division:

- e) Presentation, Discussion and Possible Approval of a Request for Proposals for Uniform Physical Condition Standards

Motion by Mr. Conine to pull Consent Item 1f for discussion, and approve Consent Agenda items a-e; seconded by Ms. Ray; passed unanimously.

Community Affairs Division:

- f) Presentation, discussion, and possible approval of the 2008 Emergency Shelter Grants Program Subrecipient Application

Motion by Mr. Conine to approve staff recommendation, with some leeway in modifying the language, and to report the changes to the Board in November; seconded by Ms. Ray; passed unanimously.

ACTION ITEMS

AGENDA ITEM 2:

Presentation, Discussion and Approval of HOME Division Items:

- a) Presentation, Discussion and Possible Approval of an Amendment to the 2008 Housing Trust Fund Plan
Shaun Davis, Southeast Texas Regional Planning Commission, provided testimony.
Jack Steele, Executive Director, Houston-Galveston Area Council of Governments, provided testimony.
Walter Diggles, Executive Director, Deep East Texas Council of Governments, provided testimony.

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

AGENDA ITEM 3:

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

- a) Presentation, Discussion and Possible Approval of a Memorandum of Understanding between TDHCA and the Office of Rural Community Affairs regarding the management of Community Development Block Grants funds for the Self-Help Center Program.

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

AGENDA ITEM 4:

Presentation, Discussion and Possible Approval of Disaster Recovery Division Items:

- a) **Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing**
Jack Steele, Executive Director, Houston-Galveston Area Council of Governments, provided testimony.
Walter Diggles, Executive Director, Deep East Texas Council of Governments, provided testimony.
Shaun Davis, Southeast Texas Regional Planning Commission, provided testimony.
- b) **Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report relating to non-housing activities for CDBG Round 1 Funding, and infrastructure activities for CDBG Round 2**
Charlie Stone, Executive Director, Office of Rural and Community Affairs, provided report.
- c) **Presentation, Discussion and Possible Approval of CDBG contract amendments to be administered by Office of Rural Community Affairs (ORCA)**
Charlie Stone, Executive Director, Office of Rural and Community Affairs, provided report.
Heather LaGrone, Office of Rural and Community Affairs, provided report.
Motion made by Mr. Conine to approve staff recommendation; seconded by Mr. Flores; passed unanimously.
- d) **Presentation, Discussion and Possible Approval of set aside critical infrastructure CDBG contracts to be administered by Office of Rural Community Affairs (ORCA)**
The Honorable Judge Carl Griffith, Carl Griffith and Associates, provided testimony.
John Johnson, Carl Griffith & Associates, provided testimony.
Mark Wyatt, Director of Community Development, ORCA, provided testimony.
Motion by Mr. Conine to approve ORCA's recommendation; seconded by Mr. Flores; passed unanimously.

The Board took a short recess at 10:26 and returned at 10:40.

AGENDA ITEM 5:

Presentation, Discussion and Possible Approval of Multifamily Division Items:

- a) **Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:**
07452 Enclave Gardens, San Antonio; San Antonio HFC is the Issuer; Recommended Credit Amount of \$601,737
Motion by Mr. Conine to approve staff recommendation; seconded by Ms. Ray; passed unanimously.
07447 Three Fountains, Amarillo; Panhandle Regional HFC is the Issuer; Requested Credit Amount of \$466,631
Withdrawn from consideration until November meeting.
07448 River Falls Apartments, Amarillo; Panhandle Regional HFC is the Issuer; Requested Credit Amount of \$557,561
Withdrawn from consideration until November meeting.
07449 Canterbury Apartments, Amarillo; Panhandle Regional HFC is the Issuer; Recommended Credit Amount of \$154,730
Withdrawn from consideration until November meeting.
07450 Puckett Place Apartments, Amarillo; Panhandle Regional HFC is the Issuer; Requested Credit Amount of \$594,336
Withdrawn from consideration until November meeting.

b) Presentation, Discussion and Possible Reallocation of 2007 Housing Tax Credits and Possible Allocation of 2008 Housing Tax Credits

Mark Caldwell, Orange Palm Garden Apartment Homes, provided testimony.

Terri Anderson, Anderson Capital, LLC, provided testimony concerning Villas on Raiford.

Motion by Mr. Flores to fund all of staff's recommended developments with the exception of Villas on Raiford, conditioned on underwriting and all outstanding compliance; seconded by Mr. Conine; passed unanimously.

c) Presentation, Discussion and Possible Action on a Policy for Addressing Placement in Service Extensions for 2005 Housing Tax Credit Developments

Cynthia Bast of Locke, Lord, Bissell and Liddell, provided testimony concerning Commons of Grace, Houston, Tidwell neighborhood.

George Littlejohn, Novogradac and Company, (CPA firm), provided testimony.

Barry Palmer, Coates Rose Law Firm, provided testimony.

Motion by Mr. Conine to approve staff recommendation; seconded by Ms. Ray; passed unanimously. Motion by Ms. Ray to add Commons of Grace as a Report Item on the November agenda; no objections.

d) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments: 98169 Home of Parker Commons Ft. Worth

Jay Oji, Sphinx Development Corporation in Dallas, provided testimony.

Lee Stevens, Vice President with AIG Sun America, provided testimony.

Motion by Mr. Conine to approve the requested amendment on the condition that the developer/syndicator provide microwaves; and submit a letter to the appropriate Historical Commission requesting approval to add one carport for each tax credit unit; returning to the Board with a report as to whether the carports were rejected or accepted by the Historical Commission; assessing 10 penalty points to the previous owner, M. Myers Development, Inc, as well as putting Mr. Oji that a future issue like this will result in penalty points. seconded by Ms. Ray; passed unanimously. Staff was directed to assist developer with the Historical Commission letter.

01005 Chaparral Townhomes Allen

Mark Viscuso, David, Goodman and Madole, representing the existing general partner, provided testimony.

Cynthia Bast, Locke, Lord, Bissell and Liddell, representing the investor limited partner, provided testimony.

John Bowles, Vice President of Special Assets for the investor limited partner, PNC Multifamily Capitol, provided testimony.

Motion by Mr. Flores to table the request for the waiver of the HUB until the December meeting, and direct the investor to cast a wider net for HUBs or non-profits; seconded by Ms. Ray; passed unanimously.

REPORT ITEMS

Executive Director's Report

1. TDHCA Outreach Activities, September 2007
No action taken.
2. Monthly Report on HOME Amendments Granted
No action taken.
3. Response to Board Member questions directed to staff regarding HOME Task Force presentation
No action taken.
4. Overview of highlights surrounding the closing of TDHCA Single Family Mortgage Revenue Bond Program
70
No action taken.

EXECUTIVE SESSION

At 12:10 p.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 2:00 p.m.

- 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
- 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 *Brandal v. TDHCA* Filed in State Court in Potter County
 3. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
 4. With regard to contract negotiations with selected vendor on HAP Disaster Recovery RFP
 5. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION

Ms. Anderson reconvened Open Session at 2:00 p.m. and announced that no action had been taken during Executive Session and certified that the posted agenda was followed.

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 2:03 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

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST

December 20, 2007

Action Item

Minutes of the Board Meeting of November 8, 2007.

Required Action

Review minutes of the November 8, 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
November 8, 2007; 9:30 am
Capitol Extension, E1.028
1500 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 November 8, 2007 was called to order by Chair, Elizabeth Anderson at 8:35 a.m. It was held at the Capitol Extension, E1.028, 1500 N. Congress, Austin, Texas. Roll call certified a quorum was present.

Members Present:

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

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.

Scott Marks, Coats Rose, provided testimony on behalf of the Catellus Development Group, provided testimony regarding the QAP.

Tony Sisk, with Churchill Residential, Irving, Texas, provided testimony, and read for the record a letter from the Mary Suhn, City Manager, City of Dallas.

Barry Palmer, Coats Rose, provided testimony concerning the QAP.

The Honorable Representative Jose Menendez, provided testimony regarding the reduction of the senior project capture rate for urban areas from 75 percent to 50 percent; census tract boundaries and the concentration policies; prioritization on the scoring (notary public services higher than child-care programs in the scoring criteria); and, legislative intent regarding the restriction of the 80 units on new construction in the rural areas in the proposed rules. Representative Menendez also read for the record a letter from Mary L. Ramos, Chair of the LULAC District 8 Housing Committee.

Mike Clark, President, Texas Affiliation of Housing Providers, TAAHP, provided testimony regarding the QAP.

Dan Markson, NRP Group provided testimony concerning Commons of Grace.

David Heller, principal of the NRP Group, provided testimony concerning Commons of Grace.

Al Scott, principal of the NRP Group, provided testimony concerning Commons of Grace.

Pastor Charles Taylor, provided testimony concerning Commons of Grace.

Ryan Keathley, Catellus Development Group, provided testimony regarding the Robert Mueller Municipal Airport redevelopment effort

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 1:

Approval of the following items presented in the Board materials:

General Administration:

- a) Minutes of the Board Meeting of August 23, 2007
- b) Minutes of the Board Meeting of September 13, 2007

Community Affairs:

- c) Presentation, Discussion, and Possible Approval of the Section 8 Payment Standards, Resolution No. 08-004

Financial Administration:

- d) Presentation, Discussion, and Possible Approval of the 4th Quarter Investment Report

Multifamily Finance:

- e) Presentation, Discussion, and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:
07621 The Residences at Onion Creek, Austin, Travis County Texas for a bond Amount Not to Exceed \$15,000,000 and the Issuance of a Determination Notice Recommended Credit Amount Not to Exceed \$785,293. Resolution No. 08-002
- f) 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 2008, Resolution No. 08-003
 - 08602 Costa Ibiza Houston
 - 08603 West Oaks Seniors Houston

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

ACTION ITEMS

AGENDA ITEM 2:

Presentation, Discussion and Possible Approval of Multifamily Division Items:

- a) **Presentation, Discussion, and Possible Approval of a Policy for Housing Tax Credit Amendments**

Motion by Mr. Conine to approve this policy with the amendment for the explicit 30-day cure period language; seconded by Mr. Flores; Mayor Salinas voted No; motion passed.

- b) **Presentation, Discussion, and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers: 07448 River Falls Apartments, Amarillo; Panhandle Regional HFC is the Issuer; Recommended Credit Amount of \$505,347**

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

- 07449 Canterbury Apartments, Amarillo; Panhandle Regional HFC is the Issuer; Requested Credit Amount of \$207,022**

Motion by Mr. Bogany to approve staff recommendation of \$184,290; seconded by Mr. Flores; passed unanimously.

- c) **Presentation, Discussion, and Possible Reallocation of 2007 Housing Tax Credits and Possible Allocation of 2008 Housing Tax Credits**

Motion by Mr. Bogany to approve staff recommendation, excluding Casa Alton; seconded by Mr. Flores; passed unanimously.

- d) **Presentation, Discussion, and Possible Action for Housing Trust Fund Capacity Building Program Appeal for Ability Resources**

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

- e) **Presentation, Discussion, and Possible Action on Request for Reallocation of Housing Tax Credits for Commons of Grace**
 Motion by Mr. Conine to postpone the item to the December meeting; seconded by Mr. Flores; passed unanimously.
- f) **Presentation, Discussion, and Possible Action on HTC Amendments**
- 01042 Fountains at Tidwell Houston**
Pastor Isaac Matthews, provided testimony.
Barry Kahn, provided testimony.
 Motion by Mr. Conine to grant the removal of this LURA and the Housing Trust Fund award LURA only if 9 Percent credits are awarded on a new development on the five acres in the future as well as waving any penalties; seconded by Mr. Bogany; passed unanimously.
- 04160 Maplewood Crossing League City**
Thomas Scott, developer, provided testimony.
Bob Deluca, provided testimony.
Barry Palmer, provided testimony.
 Motion by Mr. Conine to grant request, with no penalties; seconded by Mr. Bogany; Mayor Salinas voted No; motion passed.
- 05004 Samuel's Place Fort Worth**
David Kelly, Carleton Residential Properties, provided testimony.
Mark Adams, Apollo Equity Partners, provided testimony.
Ramon Guajardo, Fort Worth Housing Authority, provided testimony.
Jeff Fulencheiz, Carleton Residential, provided testimony.
 Motion by Mr. Conine to postpone until the December meeting; seconded by Mayor Salinas; passed unanimously. Board directed Director of Underwriting to examine the issue related to market concerns.
- 05069 Santa Rosa Village Santa Rosa**
 Motion by Mr. Bogany to approve staff recommendation with an assessment of 10 penalty points to Volunteers of America, Texas, Inc.; seconded by Mayor Salinas; passed 4-1 with Mr. Conine voting no.
- 05127 Navigation Point Corpus Christi**
 Motion by Mr. Bogany to approve staff recommendation; seconded by Mayor Salinas; passed unanimously.
- 06024 Cunningham Manor Brownsville**
Ron Anderson, Executive Director for Housing and Community Services, provided testimony.
 Motion by Ms. Ray to approve staff recommendation with no penalty points; seconded by Mr. Conine; passed unanimously.
- 07115 Heights Apartments Big Spring**
 Motion by Mr. Conine to approve staff recommendation; seconded by Ms. Ray; passed unanimously.
- 07118 Lakeside Apartments Mount Pleasant**
 Motion by Mr. Conine to approve staff recommendation; seconded by Mr. Bogany; passed unanimously.
- 07220 San Gabriel Crossing Liberty Hill**
 Motion by Ms. Ray to approve staff recommendation; seconded by Mr. Conine; passed unanimously.

The Board took a short recess at 10:30 a.m. and reconvened at 10:50 a.m.

- 04193 Providence at Edinburg Edinburg**
Bill Fisher, Odyssey Residential, provided testimony.
Estella Trevino, Director, Edinburg Housing Authority, provided testimony.
Barry Palmer, Coats Rose, provided testimony.
John Shackelford, provided testimony.

Motion by Mayor Salinas to postpone until December meeting; seconded by Ms. Ray; passed unanimously.

04082 Fenner Square Goliad

Gary Driggers, developer for Fenner Square, Goliad, provided testimony.

Ramon Guajardo, provided testimony.

Motion by Mr. Conine to accept staff's recommendation, except for the internet services; seconded by Mr. Bogany; Motion by Ms. Anderson to assess a 1 point penalty to Mr. Driggers; seconded by Mr. Flores; passed unanimously.

EXECUTIVE SESSION

At 12:00 p.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 1:15 p.m.

- 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
- c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
 1. With Respect to pending litigation styled *Brandal v. TDHCA* Filed in State Court in Potter County
 2. With regard to contract negotiations with selected vendor on HAP Disaster Recovery RFP
 3. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION

Ms. Anderson reconvened Open Session at 1:15 p.m. and announced that no action had been taken during Executive Session and certified that the posted agenda was followed.

AGENDA ITEM 2 CONTINUED:

Presentation, Discussion and Possible Approval of Multifamily Division Items:

- g) Presentation, Discussion, and Possible Action on Request for Waiver of Nonrefundable Commitment Notice Fee Pursuant to §49.20(f) of the 2007 QAP and Refund of Commitment Notice Fee for 2007 Competitive Housing Tax Credit Applications:**

07153 Los Ebanos Apartments

07275 Mansions at Briar Creek

Robert de los Santos, project manager for Fortuna Enterprise; representing the City of Alton, provided testimony.

Rob Burchfield, Houston, provided testimony.

Motion by Mr. Conine to accept staff recommendation; seconded by Mr. Flores; passed unanimously.

AGENDA ITEM 3:

Presentation, Discussion and Possible Approval to Publish Final Department Rules in the *Texas Register*

- a) Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting amendments to §1.20, concerning Asset Resolution and Enforcement**

Motion by Mr. Conine to approve; seconded by Ms. Ray; passed unanimously.

- b) Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting new §1.22, concerning Providing Current Contact Information to the Department**

Motion by Mr. Conine to approve; seconded by Ms. Anderson; passed unanimously.

- c) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting amendments to 10 TAC Chapter 1, Subchapter B, Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines**
Granger MacDonald, provided testimony.
 Motion by Mr. Conine to approve the real estate rules with the change of the senior capture rate going back from 50% to 75%; seconded by Ms. Ray; Mr. Bogany voted No; motion passed.
- d) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting 10 TAC, Chapter 7, 2007 Texas First Time Homebuyer Program Rule**
 Motion by Mr. Conine to approve; seconded by Mr. Flores; passed unanimously.
- e) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* of a final order adopting repeal of 10 TAC Chapter 50, concerning 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, and final order adopting new 10 TAC Chapter 50, concerning 2008 Housing Tax Credit Program Qualified Allocation Plan and Rules**
Matt Hull, Texas Association of CDCs, provided testimony.
Barry Kahn, provided testimony.
 Motion by Mr. Conine to accept QAP, with amendments to strike, "After the fact," on the adherence to policy; change notary to one point instead of two; add SROs to the elderly language for the square-foot cost, and to address the issue brought forward by speaker Matt Hull as public comment; seconded by Mr. Bogany; passed unanimously.
- f) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* of a final order adopting repeal of 10 TAC Chapter 33, Multifamily Housing Revenue Bond Rules, and final order adopting new 10 TAC Chapter 33, 2008 Multifamily Revenue Bond Rules**
 Motion by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.
- g) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting repeal of 10 TAC Chapter 51, Housing Trust Fund Rules, and final order adopting new 10 TAC Chapter 51, Housing Trust Fund Rule**
 Motion by Mr. Bogany to approve; seconded by Mr. Conine; passed unanimously.
- h) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting repeal of 10 TAC Chapter 60, Subchapter A, Compliance Monitoring and final order adopting new 10 TAC Chapter 60, Subchapter A, Compliance Monitoring**
 Motion by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.
- i) **Presentation, Discussion, and Possible Approval for publication in the *Texas Register* a final order adopting new Chapter 60, Subchapter C, concerning Administrative Penalties, to be codified at 10 T.A.C §60.301**
 Motion by Ms. Ray to approve; seconded by Mr. Flores; passed unanimously.

AGENDA ITEM 4:

Presentation, Discussion and Approval of HOME Division Items:

- a) **Presentation, Discussion, and Possible Approval Requests for Amendments to HOME Investment Partnerships Program Contracts**
1000518 Temple Housing Authority
Barbara Bozon, Director for the Temple Housing Authority, provided testimony.
 Motion by Mr. Flores to accept staff recommendation; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 5:

Presentation, Discussion and Possible Approval of Disaster Recovery Division Items:

- a) **Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing**
Kelly Crawford, DED of Disaster Recovery, provided report.
- b) **Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery contracts**
C060001 Houston-Galveston Area Council
Motion by Mr. Bogany to approve; seconded by Mr. Flores; passed unanimously.
- c) **Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to non-housing activities and infrastructure activities for CDBG Round 2**
Charlie Stone, Executive Director, Office of Rural and Community Affairs, Heather Lagrone, CDBG program manager; Jerald Ferguson, CDBG program specialist, and Mark Wyatt, CDBG Division Director; provided report.
- d) **Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery contracts administered by the Office of Rural Community Affairs (ORCA) for CDBG Round 1 Funding**
City of Woodville
City of Jasper
Hardin County
Montgomery County
Motion by Mr. Bogany to approve amendments; seconded by Mr. Flores; passed unanimously.
- e) **Presentation, Discussion and Possible Approval of Projects Granted Reserved Funds under the Restoration of Critical Infrastructure Program to be administered by Office of Rural Community Affairs (ORCA)**
Motion by Mr. Bogany to approve; seconded by Mr. Flores; passed unanimously.
- f) **Presentation, Discussion and Possible Approval of Projects under the Competitive Restoration of Critical Infrastructure Program to be administered by Office of Rural Community Affairs (ORCA)**
Jefferson County
Tyler County
City of Lumberton
City of Silsbee
Jasper County
Tom Warner, Director of Public Works, City of Beaumont, provided testimony.
The Honorable Mark Allen, Jasper County Judge, provided testimony.
Dale Watson, Director of Planning, City of Port Arthur, provided testimony.
The Honorable Truman Dougharty, Newton County Judge, provided testimony.
Motion by Mr. Conine to approve staff recommendation as presented; seconded by Mayor Salinas; passed unanimously.

AGENDA ITEM 6:

Presentation, Discussion and Possible Approval of Housing Resource Center Division Items:

- a) **Presentation, Discussion, and Possible Approval of the 2008 Regional Allocation Formula Methodology**
Motion by Mr. Bogany to approve; seconded by Mr. Conine; passed unanimously.
- b) **Presentation, Discussion, and Possible Approval of the 2008 Affordable Housing Needs Score Methodology**
Motion by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.

REPORT ITEMS

Executive Director's Report

1. TDHCA Outreach Activities, October 2007
2. Historically Underutilized Businesses
3. ESGP Application Edits Made to Special Initiatives Section
4. Comprehensive Report on the Status of the HOME Program
5. Ownership Transfers for Housing Tax Credits
6. Report to Board on Recommendations to the CDBG Disaster Recovery Programs Received from John Henneberger, Texas Low Income Housing Information Service (TxLIHIS), Public Testimony, October 2007 Board Meeting

No action taken on report items.

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 3:47 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

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 20, 2007

Action Item

Housing Tax Credit Interagency Contract with the Office of Rural Community Affairs.

Requested Action

Approve, Amend or Deny the statutorily mandated ORCA Housing Tax Credit Interagency Contract.

Background

The Texas Department of Housing and Community Affairs (the "Department") is required by §771 of the Texas Government Code and §§2306.6723 and 2306.111 of the Texas Government Code, to enter into a bi-annual contract with the Office of Rural Community Affairs ("ORCA") to ensure information sharing, efficient procedures and the fulfillment of development compliance requirements in rural areas. The contract before the Board will be effective September 1, 2007 through August 31, 2009, unless otherwise specifically provided by the terms of this contract.

ORCA assists the Department in establishing rules for the Housing Tax Credit program, reviewing rural applications for selection and threshold and providing property site inspections prior to the award of applications for the Competitive Housing Tax Credit program.

Recommendation

Staff recommends the Board approve the statutorily mandated ORCA Housing Tax Credit Interagency Contract.

**INTERAGENCY CONTRACT BY AND BETWEEN
THE OFFICE OF RURAL COMMUNITY AFFAIRS AND
THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

SECTION 1. PARTIES TO THE CONTRACT

This contract and agreement is made and entered into by and between the **Office of Rural Community Affairs**, an agency of the State of Texas, hereinafter referred to as “ORCA,” and the **Texas Department of Housing and Community Affairs**, an agency of the State of Texas, hereinafter referred to as “TDHCA,” pursuant to the authority granted and in compliance with the provisions of the Interagency Cooperation Act, Chapter 771, Texas Government Code, and Sections 2306.6723 and 2306.111, Texas Government Code.

SECTION 2. PERIOD OF PERFORMANCE

This contract shall commence on September 1, 2007 and shall terminate on August 31, 2009, unless otherwise specifically provided by the terms of this contract.

SECTION 3. CONTRACT PERFORMANCE

- A. **Joint Performance.** TDHCA and ORCA shall during the period of performance specified in Section 2 of this contract jointly administer the rural regional allocation established by TDHCA under the Housing Tax Credit (HTC) program to ensure the maximum use and optimum geographic distribution of housing tax credits in rural areas and to provide for information sharing, efficient procedures, and the fulfillment of development compliance requirements in rural areas. In addition, TDHCA and ORCA shall jointly implement an outreach and training program to promote rural area capacity building and the maximum use and dispersal of tax credits in rural areas.
- B. **TDHCA Performance.** TDHCA shall train ORCA staff, as needed, on site inspection requirements and HTC application threshold and scoring review. Following Sections 2306.111 (d-3) and 2306.1115 of the Texas Government Code, the allocation shall be no less than 20% of the total tax credit ceiling and not less than \$500,000 per region unless the regional allocation formula calls for additional funds. The

housing tax credit set-aside for rural development within a state service region that remains unallocated to rural development projects will be made available for allocation to rural development projects in other rural areas before being made available for allocation to any urban area. The joint report issued by ORCA and TDHCA for rural rental housing should be taken into consideration when developing the Regional Allocation Formula as required in §2306.1115.

C. ORCA Performance ORCA shall perform the following activities:

1. ORCA shall assist TDHCA in developing all threshold, scoring, and underwriting criteria applied to applications eligible for the HTC rural regional allocation. Such criteria shall be approved by ORCA. Pursuant to Section 2306.6724(a) of the Texas Government Code, the TDHCA Board must adopt the qualified allocation plan (“QAP”) which includes threshold and scoring criteria not later than September 30 each year. ORCA agrees to provide its input on the QAP and underwriting criteria while the rules are being drafted prior to the notice and comment rulemaking period for the QAP and the Underwriting Rules. The Executive Director’s may call a meeting for such purposes or ORCA may submit its recommendations directly to the Executive Director and TDHCA staff responsible for rule development. If TDHCA concurs with the ORCA recommendations, they shall be included in the plan submitted to the TDHCA Board for approval, if TDHCA staff does not concur, then the Executive Directors will work to reach a mutually acceptable agreement. If no agreement is reached, then both suggestions will be submitted to the TDHCA Board for a determination of how the draft QAP should be presented for public comment.
2. ORCA shall participate in the site inspections of all projects proposed under the rural regional allocation. ORCA staff assigned to perform such inspections shall have completed sufficient training to enable them to perform the inspections.
3. ORCA shall assign a representative to attend HTC public hearings relating to the Qualified Allocation Plan and other application requirements.
4. ORCA shall assist TDHCA in developing and negotiating the Memorandum of Understanding between TDHCA and the U.S. Department of Agriculture relating to the administration of the Rural Development set-aside or allocation.

SECTION 4. TDHCA FUNDING OBLIGATIONS

From the total amount of HTC application fees collected by TDHCA during the most recent allocation cycle from applicants for the rural regional allocation, ORCA shall be reimbursed for any costs documented, unless specifically not allowed in the General Appropriations Act, in carrying out the requirements of this contract in an amount not to exceed 50% of the application fees received from rural applicants. ORCA shall submit a

statement to TDHCA that provides a detailed description of the work performed and hours spent on such work, including the names of the employees performing the work.

SECTION 5. AMENDMENTS AND CHANGES

Any alteration, addition or deletion to the terms of this contract shall be by amendment hereto in writing and executed by both parties hereto except as may be expressly provided for in some other manner by the terms of this contract.

SECTION 6. POLITICAL ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall involve any political activity, including but not limited to any activity to further the election or defeat of any candidate for public office, or any activity undertaken to influence the passage, defeat, or final contents of legislation.

SECTION 7. SECTARIAN ACTIVITY

None of the activities or performances rendered hereunder by TDHCA or ORCA shall support any sectarian or religious activity.

SECTION 8. ORAL AND WRITTEN AGREEMENTS

All oral or written agreements between the parties hereto relating to the subject matter of this contract that were made prior to the execution of this contract have been reduced to writing and are contained herein.

SECTION 9. TERMINATION

- A. This contract may be terminated prior to the date specified in Section 2 of this contract only upon 14 days written notice from one party to the other.
- B. Upon notice of termination, ORCA shall no longer be reimbursed for any costs hereunder.

WITNESS OUR HANDS EFFECTIVE _____

Approved and accepted on behalf of the OFFICE OF RURAL COMMUNITY AFFAIRS, an agency of the STATE OF TEXAS.

Signed: _____
Charles S. (Charlie) Stone
Executive Director, Office of Rural Community Affairs

Approved and accepted on behalf of the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, an agency of the STATE OF TEXAS.

Signed: _____
Michael Gerber
Executive Director, Texas Department of Housing and Community Affairs



REQUEST FOR BOARD ACTION Multifamily Finance Production

Private Activity Bond Program – Waiting List

**1 Priority 2 Application for 2008 Waiting List
2 Priority 3 Applications for 2008 Waiting List**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation – December 20, 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

December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of an Inducement Resolution Declaring Intent to Issue for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Allocations of Private Activity Bonds for the 2008 Program Year and Applications for Carryforward of Private Activity Bonds for the 2007 Program Year.

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 for three (3) applications.

Background

Each year, the State of Texas is notified of the cap on the amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$440 million is set aside for multifamily activities until August 7th for the 2008 program year. TDHCA has a set aside of approximately \$89 million available for new 2008 applications. If the Board approves the Waiting List applications they will be submitted to the Texas Bond Review Board on January 2, 2008 or they may be submitted to the Texas Bond Review Board as Carryforward Applications.

The Texas Bond Review Board may designate as Carryforward the amount of the State Ceiling that is not reserved before December 15 and any amount of the State Ceiling that was reserved before December 15 and becomes available on or after that date because of the cancellation of a reservation ("Carryforward"). Approximately \$45 million is currently available in Carryforward allocation for the 2007 program year. If the Board approves the Carryforward applications they will be submitted to the Texas Bond Review Board on or after December 21, 2007.

Inducement Resolution 08-005 includes three (3) applications that were received on or before November 15, 2007. The applications will reserve approximately \$32 million in 2007 or 2008 state volume cap. Upon Board approval to proceed, the applications will be submitted to the Texas Bond Review Board. The Board previously approved two (2) applications for the 2008 program year.

Carrington Place Apartments, App. #08605– The proposed new construction will consist of 105 units and will target the general population. It will be located at approximately the 2200 block of N. St. Augustine Road, Dallas, Dallas County. Demographics for the census tract (120.00) include AMFI of \$34,197; the total population is 6,702; the percent of the population that is minority is 86.87%; the number of owner occupied units is 773, number of renter occupied units is 1,511; and the number of vacant units is 149. (Census Information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support or opposition.

Ennis Family and Senior Estates, App. #08606– The proposed new construction development will consist of 252 units and will be intergenerational, targeting both the elderly and general population. It will be located in the 600 block of the northeast corner of Rudd and Blazek Rd., Ennis, Ellis County.

Demographics for the census tract (617.00) include AMFI of \$65,096; the total population is 3,817; the percent of the population that is minority is 14.88%; the number of owner occupied units is 1,165; number of renter occupied units is 166; and the number of vacant units is 84. (Census Information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support or opposition.

Broadway Place Apartments, App. #08608– The proposed acquisition and rehabilitation will consist of 215 units and will target the general population. It will be located at approximately 9110 Broadway, San Antonio, Bexar County. Demographics for the census tract (1210.00) include AMFI of \$54,999; the total population is 7,247; the percent of the population that is minority is 44.48%; the number of owner occupied units is 1,681, number of renter occupied units is 1,221; and the number of vacant units is 171. (Census Information from FFIEC Geocoding for 2007)

Public Comment: 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

2008 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units	Bond Amount	Developer Information	Comments
08605	Carrington Place Apartments 2200 Block of North St. Augustine Road	105	\$ 6,500,000	Carrington Villas Apartments of Dallas, L.P. G. Granger MacDonald	Recommend
Priority 3	City: Dallas County: Dallas <i>New Construction</i>	General	Score = 63	2951 Fall Creek Road Kerrville, Texas 78028 (830) 257-5323	
08606	Ennis Family & Senior Estates 600 N. of NEC Rudd and Blazek Road	252	\$ 14,500,000	LRI XII, Ltd. Barry Halla	Recommend
Priority 2	City: Ennis County: Ellis <i>New Construction</i>	Intergenerational	Score = 76	800 W. Airport Freeway #1100 Irving, Texas 75062 (972) 721-1600	
08608	Broadway Place Apartments 9110 Broadway	215	\$ 11,000,000	Summit Broadway Place Apartments, Ltd. Hunter McKenzie	Recommend
Priority 3	City: San Antonio County: Bexar <i>Acquisition/Rehab</i>	General	Score = 82.5	105 Tallapoosa St. Suite 300 Montgomery, AL 36104 (334) 954-4458	
Totals for Recommended Applications		572	\$ 32,000,000		

RESOLUTION NO. 08-005

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 AND PRIVATE ACTIVITY BOND CARRYFORWARD 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, Section 103 and Section 142 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance qualified residential rental projects shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 142(d) of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State for calendar year 2007 is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372 Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act provides that the Texas Bond Review Board (the "Bond Review Board") may designate as carryforward the amount of the State Ceiling that is not reserved before December 15 and any amount of the State Ceiling that was reserved before December 15 and becomes available on or after that date because of the cancellation of a reservation ("Carryforward"); and

WHEREAS, the Allocation Act requires the Department, in order to apply for a Carryforward designation, to file an application for carryforward (the "Application for Carryforward") with the Bond

Review Board, stating the amount of the carryforward sought, describing the project, stating which priority classification is applicable and any other information that the Bond Review Board by rule may require; 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 or an Application for Carryforward for Private Activity Bonds (collectively, 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; provided that the total amount of any carryforward requested may not exceed \$50,000,000; 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 2008 program year or Application for Carryforward 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 other than an Application for Carryforward 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 20th day of December, 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
Broadway Place Apartments	Summit Broadway Place Apartments, Ltd., to be formed, or other entity	The General Partner may be Summit America Properties XXXII, Inc., or other entity, a principal of which may be Summit America Properties, Inc., or other entity	\$11,000,000
Costs: (i) acquisition of real property located at 9910 Broadway Street, San Antonio, Bexar County, Texas; and (ii) the rehabilitation thereon of an approximately 215-unit multifamily residential rental housing development, in the amount not to exceed \$11,000,000.			
Project Name	Owner	Principals	Amount Not to Exceed
Carrington Place	Carrington Villas Apartments of Dallas, L.P., to be formed, or other entity	The General Partner may be Carrington Villas Apartments I, LLC, to be formed, or other entity, the managing members of which may be Wolcott Development, LLC, and/or Resolution Real Estate Services, LLC and/or MacDonald & Associates, Inc., or other entity	\$6,500,000
Costs: (i) acquisition of real property located at approximately the 2200 block of N. St. Augustine Road, Dallas County, Texas; and (ii) the construction thereon of an approximately 105-unit multifamily residential rental housing development, in the amount not to exceed \$6,500,000.			
Project Name	Owner	Principals	Amount Not to Exceed
Ennis Family and Senior Estates	LRI XII, Ltd., or other entity	The General Partner may be LRI Ennis Senior Estates II, LLC, or other entity	\$14,500,000
Costs: (i) acquisition of real property located at approximately the 6000 block of Rudd Road, south of Highway 287 and approximately 600-650 feet north of the northeast intersection of Rudd Road and Blazek Road, Ellis County, Texas; and (ii) the construction thereon of an approximately 252-unit intergenerational multifamily residential rental housing development, in the amount not to exceed \$14,500,000.			

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
MULTIFAMILY FINANCE DIVISION
PREQUALIFICATION ANALYSIS**

Carrington Place Apartments, Dallas, TDHCA #08605, Priority 3

Unit Mix and Rent Schedule					
Unit Type	Beds/Bath	# Units	Rents	Unit Size S.F.	Rent/S.F.
60% AMI	1BD/1BA	18	\$ 650	700	0.93
60% AMI	2BD/2BA	19	\$ 775	983	0.79
60% AMI	2BD/2BA	24	\$ 775	1,030	0.75
60% AMI	2BD/2BA	2	\$ 775	1,090	0.71
60% AMI	3BD/2BA	12	\$ 889	1,183	0.75
60% AMI	3BD/2BA	30	\$ 889	1,440	0.62
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
Totals		105	\$ 1,006,956	115,573	\$ 0.73
Averages			\$ 799	1,101	

Uses of Funds/Project Costs				
	Costs	Per Unit	Per S.F.	Percent
Acquisition	\$ 500,000	\$ 4,762	\$ 4.33	0.04
Off-sites	0	0	0.00	0.00
Subtotal Site Costs	\$ 500,000	\$ 4,762	\$ 4.33	0.04
Sitework	944,500	8,995	8.17	0.08
Direct Construction Costs	5,276,772	50,255	45.66	0.46
General Requirements (6%)	373,276	3,555	3.23	0.03
Contractor's Overhead (2%)	124,425	1,185	1.08	0.01
Contractor's Profit (6%)	373,276	3,555	3.23	0.03
Construction Contingency	311,064	2,963	2.69	0.03
Subtotal Construction	\$ 7,403,314	\$ 70,508	\$ 64.06	0.65
Indirect Construction	335,500	3,195	2.90	0.03
Developer's Fee	1,364,547	12,996	11.81	0.12
Financing	1,676,466	15,966	14.51	0.15
Reserves	120,000	1,143	1.04	0.01
Subtotal Other Costs	\$ 3,496,513	\$ 33,300	\$ 30	0
Total Uses	\$ 11,399,827	\$ 108,570	\$ 98.64	1.00

Applicant - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,231,542	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 6,044,571	6.00%	30	\$ 434,883
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 490,719	36.0%	\$873,828	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 338,610		\$ -	
Total Sources	\$ 11,105,442		\$ 434,883	

TDHCA - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 4,231,542	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 6,044,571	6.00%	30	\$ 434,883
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 785,104	57.5%	\$ 579,443	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ 338,610		\$ -	
Total Sources	\$ 11,399,827		\$ 434,883	

Applicant - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$1,006,956	\$8.71		
Other Income & Loss	18,900	0.16	180	
Vacancy & Collection	-7.50% (76,944)	-0.67	-733	
Effective Gross Income	\$948,912	8.21	9,037	
Total Operating Expenses	\$448,837	\$3.88	\$4,275	
Net Operating Income	\$500,075	\$4.33	\$4,763	
Debt Service	434,883	3.76	4,142	
Net Cash Flow	\$65,192	\$0.56	\$621	
Debt Coverage Ratio	1.15			
TDHCA/TSAHC Fees	\$0	\$0.00	\$0	
Net Cash Flow	\$65,192	\$0.56	\$621	
DCR after TDHCA Fees	1.15			
Break-even Rents/S.F.	0.64			
Break-even Occupancy	87.76%			

TDHCA - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$1,006,956	\$8.71		
Other Income & Loss	18,900	0.16	180	
Vacancy & Collection	7.50% (76,939)	-0.67	-733	
Effective Gross Income	948,917	8.21	9,037	
Total Operating Expenses	47.3% \$448,837	\$3.88	\$4,275	
Net Operating Income	\$500,080	\$4.33	\$4,763	
Debt Service	434,883	3.76	4,142	
Net Cash Flow	\$65,197	\$0.56	\$621	
Debt Coverage Ratio	1.15			
TDHCA/TSAHC Fees	\$0	\$0.00	\$0	
Net Cash Flow	\$65,197	\$0.56	\$621	
DCR after TDHCA Fees	1.15			
Break-even Rents/S.F.	0.64			
Break-even Occupancy	87.76%			

Applicant - Annual Operating Expenses			
		Per S.F.	Per Unit
General & Administrative Expenses	\$37,800	0.33	360
Management Fees	37,957	0.33	361
Payroll, Payroll Tax & Employee Exp.	110,700	0.96	1054
Maintenance/Repairs	47,155	0.41	449
Utilities	53,000	0.46	505
Property Insurance	29,400	0.25	280
Property Taxes	99,750	0.86	950
Replacement Reserves	21,000	0.18	200
Other Expenses	12,075	0.10	115
Total Expenses	\$448,837	\$3.88	\$4,275

Staff Notes/Comments
Other expenses include: support service contract fees: \$ 7,875 compliance fees: \$4,200

**TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
MULTIFAMILY FINANCE DIVISION
PREQUALIFICATION ANALYSIS**

Broadway Place Apartments, San Antonio, TDHCA #08608, Priority 3

Unit Mix and Rent Schedule					
Unit Type	Beds/Bath	# Units	Rents	Unit Size S.F.	Rent/S.F.
60% AMI	1BD/1BA	16	\$ 485	600	0.81
60% AMI	1BD/1BA	78	\$ 531	812	0.65
60% AMI	2BD/1BA	52	\$ 635	976	0.65
60% AMI	2BD/2BA	29	\$ 635	1,035	0.61
60% AMI	2BD/2BA	4	\$ 638	1,385	0.46
60% AMI	3BD/2BA	4	\$ 726	1,585	0.46
MR	1BD/1BA	2	\$ 485	600	0.81
MR	1BD/1BA	10	\$ 556	812	0.68
MR	2BD/1BA	6	\$ 666	976	0.68
MR	2BD/2BA	6	\$ 686	1,035	0.66
MR	2BD/2BA	4	\$ 816	1,385	0.59
MR	3BD/2BA	4	\$ 915	1,585	0.58
					0.00
Totals		215	\$ 1,531,620	198,849	\$ 0.64
Averages			\$ 594	925	

Uses of Funds/Project Costs				
	Costs	Per Unit	Per S.F.	Percent
Acquisition	\$ 8,692,000	\$ 40,428	\$ 43.71	0.61
Off-sites	0	0	0.00	0.00
Subtotal Site Costs	\$ 8,692,000	\$ 40,428	\$ 43.71	0.61
Sitework	0	0	0.00	0.00
Direct Construction Costs	2,640,351	12,281	13.28	0.18
General Requirements (6%)	158,421	737	0.80	0.01
Contractor's Overhead (2%)	52,807	246	0.27	0.00
Contractor's Profit (6%)	158,421	737	0.80	0.01
Construction Contingency	90,300	420	0.45	0.01
Subtotal Construction	\$ 3,100,300	\$ 14,420	\$ 15.59	0.22
Indirect Construction	332,525	1,547	1.67	0.02
Developer's Fee	1,383,714	6,436	6.96	0.10
Financing	654,232	3,043	3.29	0.05
Reserves	180,000	837	0.91	0.01
Subtotal Other Costs	\$ 2,550,471	\$ 11,863	\$ 13	0
Total Uses	\$ 14,342,771	\$ 66,711	\$ 72.13	1.00

Applicant - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 3,165,838	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 10,275,000	6.00%	30	\$ 739,246
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 901,933	65.2%	\$481,781	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ -		\$ -	
Total Sources	\$ 14,342,771		\$ 739,246	

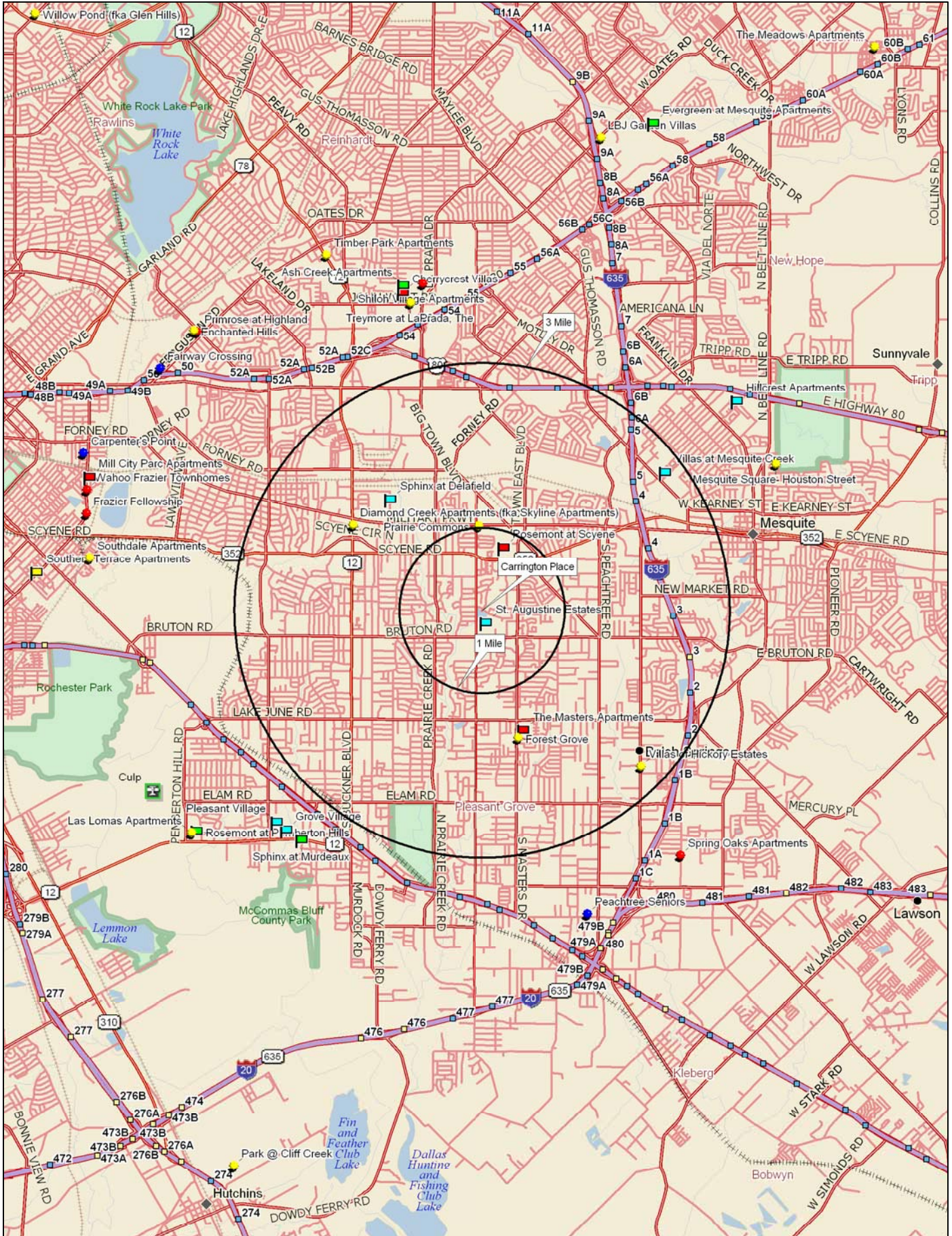
TDHCA - Sources of Funds				
Source I	Net Proceeds	Sale Price	Applicable Percentage	
Tax Credits	\$ 3,165,838	\$0.80	3.55%	
Source II	Proceeds	Rate	Amort	Annual D/S
Bond Proceeds	\$ 6,599,320	5.30%	35	\$ 414,950
Source III	Proceeds	% Deferred	Remaining	
Deferred Developer Fee	\$ 901,933	65.2%	\$ 481,781	
Source IV	Proceeds	Description	Annual D/S	
Other	\$ -		\$ -	
Total Sources	\$ 14,342,771		\$ 414,950	

Applicant - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$1,531,620	\$7.70		
Other Income & Loss	27,572	0.14	128	
Vacancy & Collection	-7.50% (139,692)	-0.70	-650	
Effective Gross Income	\$1,419,500	7.14	6,602	
Total Operating Expenses	\$975,383	\$4.91	\$4,537	
Net Operating Income	\$444,117	\$2.23	\$2,066	
Debt Service	739,246	3.72	3,438	
Net Cash Flow	(\$295,129)	(\$1.48)	(\$1,373)	
Debt Coverage Ratio	0.60			
TDHCA/TSAHC Fees	\$0	\$0.00	\$0	
Net Cash Flow	(\$295,129)	(\$1.48)	(\$1,373)	
DCR after TDHCA Fees	0.60			
Break-even Rents/S.F.	0.72			
Break-even Occupancy	111.95%			

TDHCA - Operating Proforma/Debt Coverage				
		Per S.F.	Per Unit	
Potential Gross Income	\$1,531,620	\$7.70		
Other Income & Loss	38,700	0.19	180	
Vacancy & Collection	7.50% (117,774)	-0.59	-548	
Effective Gross Income	1,452,546	7.30	6,756	
Total Operating Expenses	67.1% \$975,383	\$4.91	\$4,537	
Net Operating Income	\$477,163	\$2.40	\$2,219	
Debt Service	414,950	2.09	1,930	
Net Cash Flow	\$62,213	\$0.31	\$289	
Debt Coverage Ratio	1.15			
TDHCA/TSAHC Fees	\$0.00	\$0		
Net Cash Flow	\$62,213	\$0.31	\$289	
DCR after TDHCA Fees	1.15			
Break-even Rents/S.F.	0.58			
Break-even Occupancy	90.78%			

Applicant - Annual Operating Expenses			
		Per S.F.	Per Unit
General & Administrative Expenses	\$26,530	0.13	123
Management Fees	69,598	0.35	324
Payroll, Payroll Tax & Employee Exp.	225,500	1.13	1049
Maintenance/Repairs	57,500	0.29	267
Utilities	282,110	1.42	1312
Property Insurance	33,325	0.17	155
Property Taxes	197,400	0.99	918
Replacement Reserves	64,500	0.32	300
Other Expenses	18,920	0.10	88
Total Expenses	\$975,383	\$4.91	\$4,537

Staff Notes/Comments
Other expenses include: support service contract fees: \$ 10,320 compliance fees: \$8,600



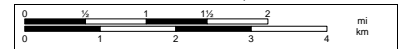
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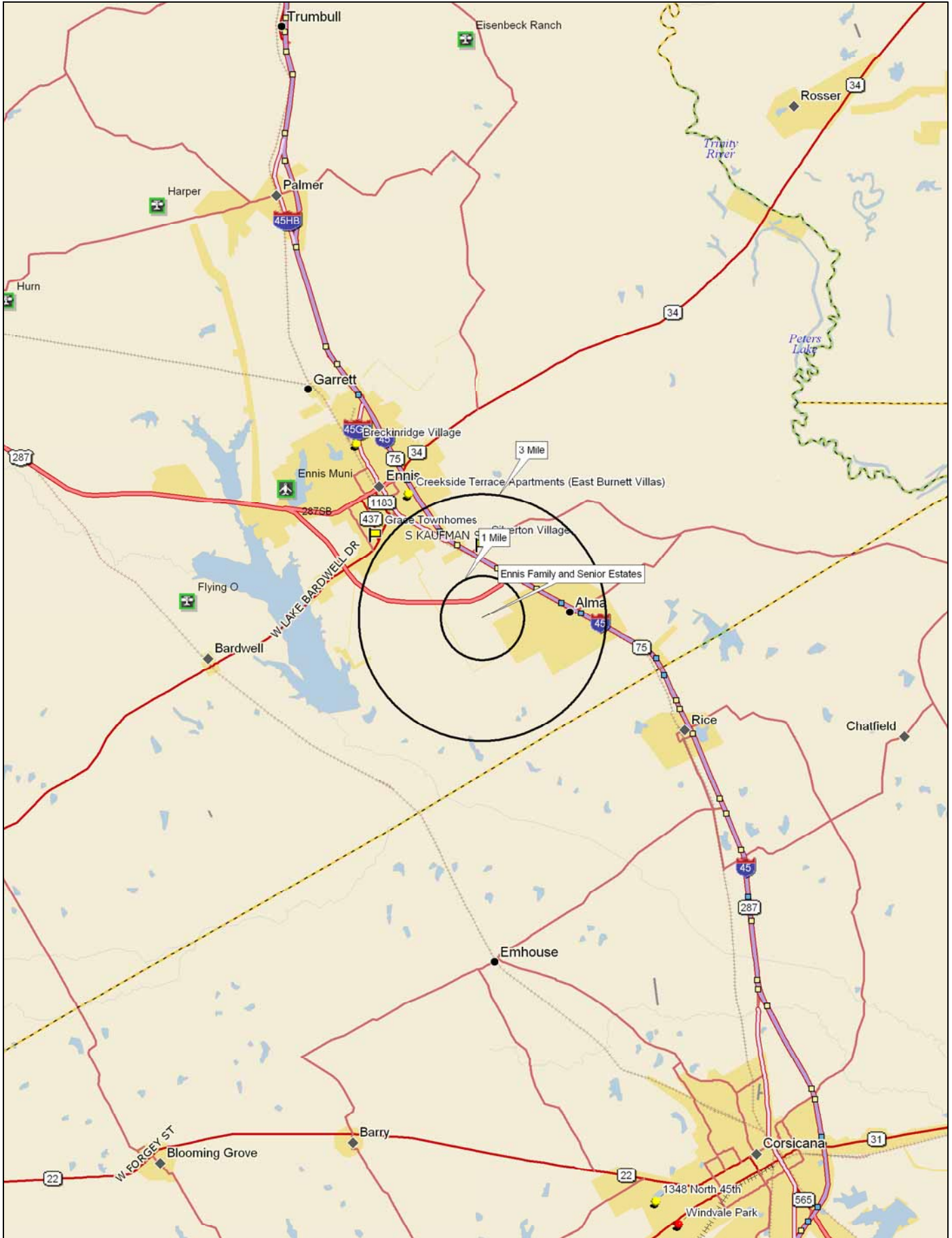
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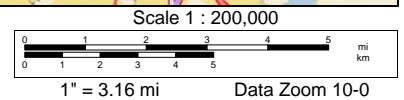
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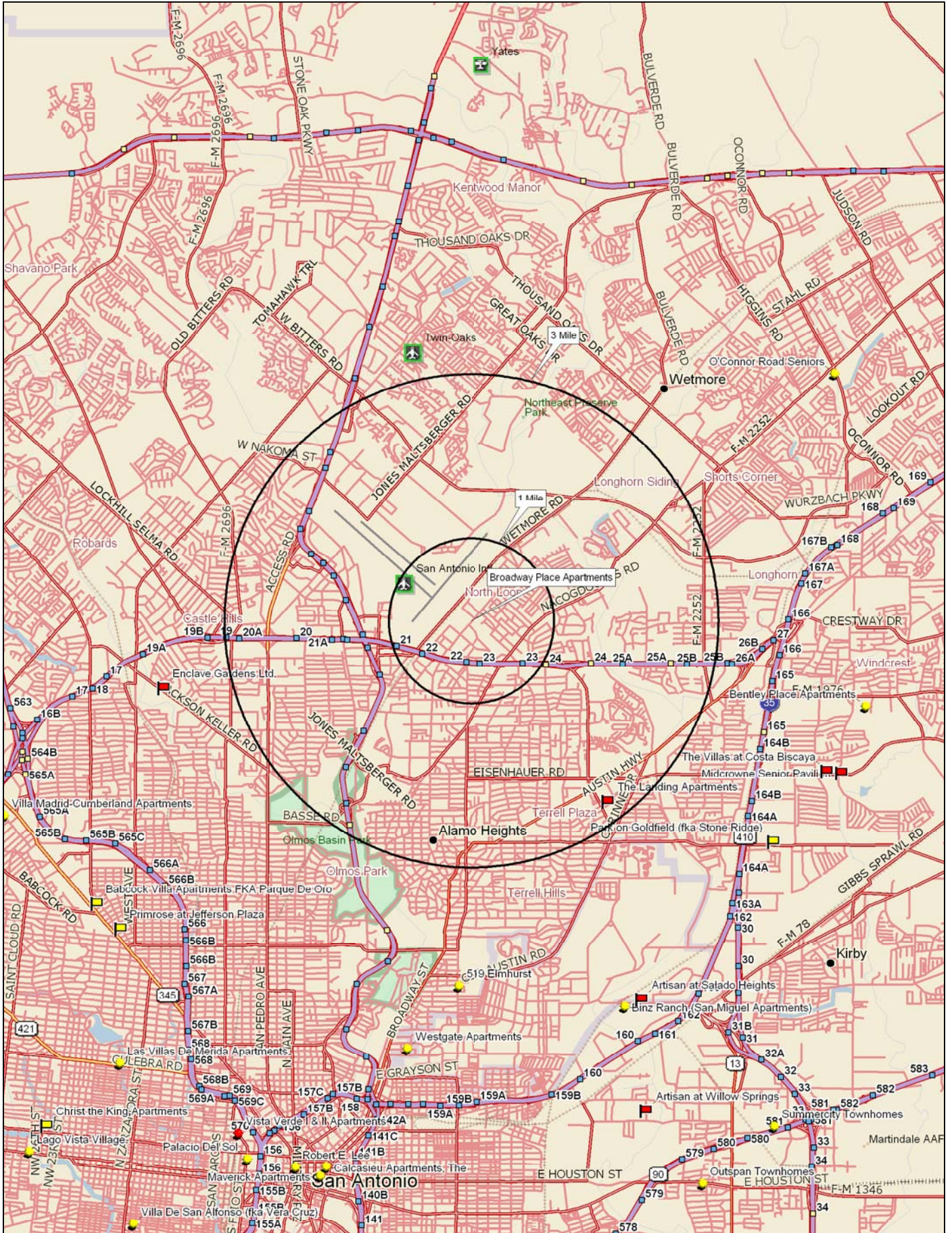


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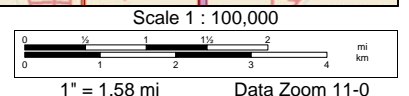
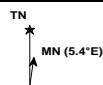




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HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of HOME Homebuyer Assistance (HBA) Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the Homebuyer Assistance Program NOFA.

Background

In accordance with 2006 HOME Program rules and with TDHCA Board approval, a biennial funding cycle was conducted for the 2006-2007 Single Family HOME Program competitive application cycle. In March 2006, the HOME Single Family Division published a NOFA in the Texas Register advertising the 2006-2007 HOME Single Family General Funding Cycle for Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance. Applications were received and funding recommendations approved by the Board on August 30, 2006, from the 2006 Program Year HOME Funds. The remaining qualified applications that did not receive 2006 funds were presented to and approved by the Board on July 12, 2007 for funding under the HUD 2007 Program Year HOME allocation.

Due to the under subscription of HBA and TBRA Programs during the biennial funding cycle, available balances of HOME funds and interest in funding these activities, staff is recommending the approval and release of an HBA NOFA making available approximately \$6 million in HOME funds. The total funds available under this NOFA is comprised of 2006 and 2007 uncommitted American Dream Downpayment Initiative (ADDI) funds in the amount of \$672,413 and \$673,861, respectively, approximately \$1,101,567 of deobligated ADDI funds from previous years, and approximately \$3,000,000 from uncommitted and deobligated HOME funds.

Recommendation

Staff recommends approval of the 2007 NOFA for the Homebuyer Assistance Program and approval to submit this NOFA for publication in the *Texas Register*. Additionally, staff requests approval to make available any future deobligated ADDI funds under this NOFA to ensure timely commitment and expenditure of these funds.



Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

HOME BUYER ASSISTANCE PROGRAM (HBA)

Notice of Funding Availability (NOFA)

Summary

The Texas Department of Housing and Community Affairs (Department) announces the availability of approximately \$6 million dollars of HOME funds for first time homebuyer assistance. The availability and use of these funds are subject to the State HOME Rule at 10 Texas Administrative Code, Title 10, Part 1, Chapter 53 (“HOME Rule”) in effect at the time the application is submitted, the Federal HOME regulations governing the HOME program (24 CFR Part 92), and Chapter 2306, Texas Government Code

Allocation of HBA Funds

These funds are made available through the U.S. Department of Housing and Urban Development (HUD) HOME and American Dream Downpayment Initiative (ADDI) allocations and are subject to the Regional Allocation Formula. All funds released under this NOFA shall be used to assist first time homebuyers earning 80 percent (80%) or less of the Area Median Family Income (AMFI) as defined by HUD, for downpayment and closing costs assistance. The amount of HOME HBA funds provided to any household shall not exceed the greater of six percent of the purchase price of the single family housing or \$10,000.

Section 2306.111, Texas Government Code, also mandates the Department to allocate no less than 95 percent of the HOME Program Funds to applicants which serve households located in a non-participating jurisdiction (non-PJ). The remaining five percent of the annual HOME Program funds will be allocated to applicants serving persons with disabilities who live in any area of the state. Due to the unavailability of Participating Jurisdiction (PJ) funds, these HBA funds will not be awarded in a PJ. These funds may not be reserved for persons with disabilities in an Application; however, persons with disabilities may be served as part of the general population.

In accordance with 10 TAC §53.48(a), this NOFA will be an Open Application Cycle. Funds will be allocated using the Regional Allocation Formula and will be available on a first-come, first-served basis. Applications will be accepted by the Department on an on-going basis utilizing the funds allocated by the Regional Allocation Formula until all funds have

been awarded or **March 3, 2008, regardless of method of delivery.** On March 4, 2008, any funds not awarded under the open cycle utilizing the RAF, will be available statewide, on a first-come, first-served basis until all funds have been awarded or **May 30, 2008,** whichever occurs first. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold criteria will not be considered for funding.

The maximum award amount for HBA shall not exceed \$300,000 per Applicant per NOFA; however, up to \$500,000 of HBA funds may be awarded to Applicants whose Service Area includes multiple counties within a Uniform State Service Region. Additionally, up to four percent (4%) of the requested project funds may be requested for administrative costs.

Pursuant to the Regional Allocation Formula, (RAF) the table below shows the allocation of funds to the 13 Uniform State Service Regions and the corresponding rural and urban distribution within each region.

Table 1. Regional, Rural, and Urban Funding Amounts

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$141,105	5.6%	\$141,078	100.0%	\$26	0.0%
2	Abilene	\$92,631	3.7%	\$90,671	97.9%	\$1,960	2.1%
3	Dallas/Fort Worth	\$442,174	17.7%	\$135,753	30.7%	\$306,421	69.3%
4	Tyler	\$317,828	12.7%	\$247,873	78.0%	\$69,955	22.0%
5	Beaumont	\$146,902	5.9%	\$133,038	90.6%	\$13,865	9.4%
6	Houston	\$177,534	7.1%	\$72,851	41.0%	\$104,683	59.0%
7	Austin/Round Rock	\$106,363	4.3%	\$59,887	56.3%	\$46,476	43.7%
8	Waco	\$117,330	4.7%	\$62,406	53.2%	\$54,924	46.8%
9	San Antonio	\$127,621	5.1%	\$80,081	62.7%	\$47,540	37.3%
10	Corpus Christi	\$180,840	7.2%	\$149,837	82.9%	\$31,003	17.1%
11	Brownsville/Harlingen	\$439,405	17.6%	\$318,626	72.5%	\$120,778	27.5%
12	San Angelo	\$126,928	5.1%	\$88,585	69.8%	\$38,343	30.2%
13	El Paso	\$83,340	3.3%	\$46,264	55.5%	\$37,076	44.5%
	Total	\$2,500,000	100.0%	\$1,626,951	65.1%	\$873,049	34.9%

The Department will accept applications until March 3, 2008 under an open cycle application method utilizing the above Regional Allocation Formula. On March 4, 2008, any funds not awarded under the open cycle utilizing the RAF, will be available statewide, on a first-come, first-served basis until May 30, 2008.

Eligible and Ineligible Activities

HBA funds may only be used for downpayment assistance towards the purchase of single family housing by low-income households. The assisted household must meet the definition of a first time homebuyer as defined in 24 CFR 92.2. HBA funds may be used to purchase one- to four- family housing, condominium unit, cooperative unit, or manufactured housing.

Prohibited activities include those under HOME Rule at 10 TAC §53.37 and the Federal HOME rule at 24 CFR §92.214.

In accordance with 10 TAC §53.72, the contract term for HBA shall not exceed 24 months.

HBA Assistance

Down payment and closing cost assistance is provided to first time homebuyers for the acquisition, of affordable single family housing. Eligible first time homebuyers may receive assistance of six percent of the purchase price of the single family housing or \$10,000 which ever is greater. Assistance will be in the form of a 10-year deferred, forgivable loan creating a 2nd or 3rd lien. All homes purchased with HBA funds must meet all applicable codes and standards including the Texas Minimum Construction Standards (TMCS).

If at any time prior to the full loan period there occurs a resale of the property, a refinance of any superior lien, a repayment of any superior lien, or if the unit ceases to be the assisted homebuyer's principal residence, the loan shall become due and payable.

Forgiveness of the loan balance is calculated based on a pro-rata annual share of the loan term. The anniversary date of the loan shall constitute completion of the year. Any partial year shall not be waived. The amount due will be based on the pro-rata share on the number of years of the remaining loan term.

In the event the home is sold (voluntary or involuntary); the assisted homebuyer will pay the loan balance from the shared net proceeds of the sale. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs. A copy of the HUD closing statement must be provided.

In the event of refinance of any superior lien, at Department's discretion one of the following options will apply:

1. re-subordination of the Note if the assisted homebuyer can provide documentation, acceptable to the Department, showing that no funds are due to the assisted homebuyer as a result of the refinance; or
2. the assisted homebuyer will pay off the Department's note from loan proceeds from the refinanced superior lien.

In the event of payoff of any superior note, the assisted homebuyer will have the option of:

1. repaying the balance of the Department's Note in full; or
2. repaying the balance of the Department's Note in equal monthly installments over a five (5) year period.

At the completion of the assistance, all properties must meet the Texas Minimum Construction Standards (TMCS), all applicable building and safety codes, ordinances and local zoning ordinances. If a home is newly constructed it must also meet federal energy requirements as defined by HUD.

Eligible and Ineligible Applicants

Eligible applicants are Units of General Local Government, Nonprofit Organizations and Public Housing Authorities (PHA's).

Applicants may be ineligible for funding if they meet any of the criteria listed in the State HOME Rule at 10 TAC §53.42.

Threshold Criteria

Cash Reserve: Each awarded Applicant will be required to expend funds according to program guidelines and request funds from the Department for eligible expenses. Every Applicant must evidence the ability to administer the program and commit adequate cash reserves of at least \$50,000 to continued administration of the program during the Department's disbursement process. Cash reserves are not permanently invested in the project but are used for short term deficits that are paid by program funds. Evidence of this commitment must be included in the Applicant's resolution.

Homebuyer Counseling and Lender Products: Each Applicant must provide evidence of available Homebuyer Counseling and lender products. Evidence of Homebuyer Counseling must include documentation describing the level of homebuyer counseling proposed for potential homebuyers including a copy of the curriculum, type of materials that will be provided to the homebuyer, a copy of a proposed written agreement with service provider, if the Applicant is not the service provider, and a description of post purchase counseling to be provided. Homebuyer Counseling must be provided to each household served and must be a minimum of 8 hours, if awarded.

Applicant is required to submit three letters from lenders interested in participating in the Applicant's proposed Homebuyer Assistance Program. Lender Letters must be on the lender's letterhead and include the lender name, address, city, state, and zip code. Lender letter must affirm the willingness, ability and the type of affordable loan products available for the Applicant's targeted homebuyers.

Resolution: All applications submitted must include an **original** resolution from the Applicant's direct governing body, authorizing the submission of the Application, commitment of cash reserves for use during the contract period, source of funds for match obligation and match dollar amount, naming a person authorized to represent the organization and signature authority to execute a contract. If an Applicant that is a nonprofit organization is requesting a waiver of the grant application fee, they must do so in the resolution, and must state that the nonprofit organization offers expanded services such as child care, nutrition programs, job training assistance, health services, or human services.

Match: Applicants are required to provide eligible match in the amount of 7% or more of the requested project funds. Match is a threshold requirement.

Review Process

Pursuant to 10 TAC §53.48(a), each application will be handled on a first-come, first-served basis. Each application will be assigned a "Received Date" based on the date and time it is physically received by the Department. The Department will ensure review of materials required under the NOFA and ASPM for threshold criteria and eligibility and will issue a notice of any Administrative Deficiencies for Applications within 45 days of the Received Date.

All applicants will be processed through the Department's Application Evaluation System and will include a previous award and past performance evaluation. Poor past performance may disqualify an applicant for funding recommendation or a funding recommendation may include conditions.

Funding recommendations of eligible Applicants will be presented to the Department's Governing Board of Directors based on eligibility and limited by the total amount of funds available under this NOFA and the maximum award amount.

Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HBA funds before an application has been completely reviewed. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds remain under the NOFA and that the Application will not be processed.

An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

Application Submission

The Application Guide for this NOFA will be available on the Department's website at www.tdhca.state.tx.us Applications must be submitted on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting to the Department. All Applications must be submitted, and provide all documentation, as described in this NOFA and associated application materials. **Final** application deadline date is **5:00 p.m. FRIDAY MAY 30, 2008.**

Applications mailed via the U.S. Postal Service must be mailed to:

**Texas Department of Housing & Community Affairs
HOME Division
P.O. Box 13941
Austin, Texas 78711-3941**

Applications mailed by private carrier or hand-delivered will be received at the physical address:

**Texas Department of Housing & Community Affairs
HOME Division
221 E. 11th Street
Austin, Texas 78701**

Applicants are required to remit a non-refundable application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$30 per application.

Please send a check, cashier's check or money order; **do not send cash.** Section 2306.147(b) of the Texas Government Code requires the Department to waive grant application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status in lieu of the application fee.

Applications that do not meet the filing deadline and Application fee requirements will be returned to the Applicant and will not be considered for funding. Application deficiencies will be processed in accordance to 10 TAC §53.48(a). An Applicant may appeal decisions made by the Department in accordance with 10 TAC §1.7.

This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME HBA Program. For proper completion of the Application the Department strongly encourages potential applicants to review all applicable HOME rules and regulations and to attend an application training workshop.

Application Workshop

The Department will present a HBA Application Workshop that will provide an overview of the HBA Program, Application preparation and submission requirements, evaluation criteria, and state and federal program information. The Application Workshop schedule and registration will be posted on the Department's website at www.tdhca.state.tx.us.

Audit Requirements

An Applicant is not eligible to apply for funds or any other assistance from the Department unless a past audit or Audit Certification Form has been submitted to the Department in a satisfactory format on or before the Application deadline for funds or other assistance per 10 TAC §1.3(b). This is a program eligibility requirement outlined in the Application, therefore Applications that have outstanding past audits will be disqualified. Staff will not recommend Applications for funding to the Department's Governing Board unless all unresolved audit findings, questions or disallowed costs are resolved per 10 TAC §1.3(c).

Contact Information

Questions regarding this NOFA should be addressed to:

HOME Division

221 E. 11th Street

Austin, Texas 78701

Telephone: (512) 463-8921

E-mail: home@tdhca.state.tx.us

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval HOME Tenant-Based Rental Assistance Program (TBRA) Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the Tenant-Based Rental Assistance Program NOFA.

Background

In accordance with 2006 HOME Program rules and with TDHCA Board approval, a biennial funding cycle was conducted for the 2006-2007 Single Family HOME Program competitive application cycle. In March 2006, the HOME Single Family Division published a NOFA in the Texas Register advertising the 2006-2007 HOME Single Family General Funding Cycle for Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance. Applications were received and funding recommendations approved by the Board on August 30, 2006, from the 2006 Program Year HOME Funds. The remaining qualified applications that did not receive 2006 funds were presented to and approved by the Board on July 12, 2007 for funding under the HUD 2007 Program Year HOME allocation.

Due to the under subscription of HBA and TBRA Programs during the biennial funding cycle, available balances of HOME funds and interest in funding these activities, staff is recommending the approval and release of a TBRA NOFA making available approximately \$3 million in HOME funds. The \$3,000,000 of funds available under this NOFA are uncommitted and deobligated HOME funds.

Recommendation

Staff recommends approval of the 2007 NOFA for the Tenant-Based Rental Assistance Program and approval to submit this NOFA for publication in the *Texas Register*.



Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

TENANT-BASED RENTAL ASSISTANCE (TBRA)

Notice of Funding Availability (NOFA)

Summary

The Texas Department of Housing and Community Affairs (Department) announces the availability of approximately \$3 million dollars of HOME funds for Tenant-Based Rental Assistance. The availability and use of these funds are subject to the State HOME Rule at 10 Texas Administrative Code, Title 10, Part 1, Chapter 53 (“HOME Rule”) in effect at the time the Application is submitted, the Federal HOME regulations governing the HOME Program (24 CFR Part 92), and Chapter 2306, Texas Government Code

Allocation of TBRA Funds

These funds are HOME uncommitted and deobligated funds which have previously been made available through Regional Allocation Formula. Therefore, HOME funds under this NOFA are not subject to the Regional Allocation Formula. All funds released under this NOFA shall be used to administer a Tenant-Based Rental Assistance Program to provide eligible households rental subsidies, including security and utility deposits to tenants for up to 24 months and earning 80 percent (80%) or less of the Area Median Family Income (AMFI) as defined by HUD. In accordance with 24 CFR 92.216, not less than 90% of the households assisted with respect to TBRA or rental units, must have incomes at or below 60% of the AMFI, as defined by HUD. Tenants must also participate in a self sufficiency program and the rental unit must be their primary residence.

Section 2306.111, Texas Government Code, also mandates the Department to allocate no less than 95 percent of the HOME Program Funds to Applicants which serve households located in a non-participating jurisdiction (non-PJ). The remaining five percent of the annual HOME Program funds will be allocated to Applicants serving persons with disabilities who live in any area of the state. Due to the unavailability of Participating Jurisdiction (PJ) funds, these TBRA funds will not be awarded in a PJ. These funds may not be reserved for persons with disabilities in an Application; however, persons with disabilities may be served as part of the general population.

In accordance with 10 TAC §53.48(a), this NOFA will be an Open Application Cycle. Funds will be available on a first-come, first-served basis. Applications will be accepted by the Department on an on-going basis until all funds have been awarded or 5:00 p.m. Friday, **May 30, 2008** whichever occurs first, **regardless of method of delivery**. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold criteria will not be considered for funding.

The maximum award amount for TBRA shall not exceed \$300,000 per Applicant per NOFA. Additionally, up to four percent (4%) of the requested project funds may be requested for administrative costs.

Eligible and Ineligible Activities

TBRA funds may only be used to provide rental subsidies, including security deposits and utility deposits in accordance with written tenant selection policies, for period not to exceed 24 months. TBRA allows the assisted tenant to live in and move to any dwelling unit with a right to continued assistance, and as further defined in the State HOME Rule at 10 TAC Chapter 53 and the Federal HOME Rule at 24 CFR Part 92.

Prohibited activities include those under HOME Rule at 10 TAC §53.37 and the Federal HOME rule at 24 CFR §92.214.

In accordance with 10 TAC §53.72, the contract term for TBRA shall not exceed 36 months.

TBRA Assistance

TBRA is provided to eligible tenants for payment of rental subsidies in accordance with written tenant selection policies, and for a period of time that does not exceed 24 months per Household. Security deposits and utility deposits may be provided in conjunction with rental assistance. TBRA allows the assisted tenant to live in and move to any dwelling unit with a right to continued assistance, within the 24 month assistance period. If awarded TBRA funds, applicant will not be allowed to commit funds to a household six months prior to the end of the contract date.

The Household must comply with the initial eligibility requirements to participate in an approved self-sufficiency program; maintain principal residency in the rental unit for which the subsidy is being provided; be an Income Eligible Household; reside in a rental unit that is located within the Administrator's Service Area; and meet all other eligibility requirements.

The rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program." Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards established by HUD.

Eligible and Ineligible Applicants

Eligible Applicants are Units of General Local Government, Nonprofit Organizations and Public Housing Authorities (PHA's).

Applicants may be ineligible for funding if they meet any of the criteria listed in the State HOME Program Rule at 10 TAC §53.42.

Threshold Criteria

Cash Reserve: Each awarded Applicant will be required to expend funds according to program guidelines and request funds from the Department for eligible expenses. Every Applicant must evidence the ability to administer the program and commit adequate cash reserves of at least the total of one month's rent for each proposed household to continue administration of the program during the Department's disbursement process. Cash reserves are not permanently invested in the project but are used for short term deficits that are paid by program funds. This commitment must be included in the Applicant's resolution.

Self Sufficiency Program: Every Applicant must submit a detailed Self Sufficiency Plan and must describe the process for the transition of households to permanent housing by the end of the 24-month rental assistance contract term.

The documentation must describe the necessary components for the overall plan proposed for transition of potential tenants. This plan, like a case management plan, should detail the need of the tenant, how these needs will be addressed including any agreements with service providers who shall assist the tenant at meeting these needs, and a proposed timeframe for completing those activities. The plan must include:

1. A sample household budget which will utilize existing sources of income such as employment, disability payments and other types of support that details how the assisted household will afford to be self-sufficient by the end of the 24-month rental assistance.
2. If additional income is required to attain self-sufficiency, a plan for attaining the required education or training, or a job search plan must be included.
3. Specific housing goals that will be completed on or before the end of the 24-month assistance period. This includes finding subsidized housing, affordable market housing or other permanent housing solutions. The plan should include the required steps such as completing an application, approximate waiting time to get into the type of housing desired and the cost of the housing to the tenant.

Resolution: All Applications submitted must include an **original** resolution from the Applicant's direct governing body, authorizing the submission of the Application, commitment of cash reserves for use during the contract period, and naming a person authorized to represent the organization and signature authority to execute a contract. If an Applicant that is a nonprofit organization is requesting a waiver of the grant Application fee, they must do so in the resolution, and must state that the nonprofit organization offers expanded services such as child care, nutrition programs, job training assistance, health services, or human services.

Review Process

Pursuant to 10 TAC §53.48(a), each Application will be handled on a first-come, first-served basis. Each Application will be assigned a "Received Date" based on the date and time it is

physically received by the Department. The Department will ensure review of materials required under the NOFA and ASPM for threshold criteria and eligibility and will issue a notice of any Administrative Deficiencies for Applications within 45 days of the Received Date.

All Applicants will be processed through the Department's Application Evaluation System, and will include a previous award and past performance evaluation. Poor past performance may disqualify an Applicant for funding recommendation or recommendation may include conditions.

Funding recommendations of eligible Applicants will be presented to the Department's Governing Board of Directors based on eligibility and limited by the total amount of funds available under this NOFA and the maximum award amount.

Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available TBRA funds before an Application has been completely reviewed. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds remain under the NOFA and that the Application will not be processed.

An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

Application Submission

The Application Guide for this NOFA will be available on the Department's website at www.tdhca.state.tx.us Applications must be submitted on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting to the Department. All Applications must be submitted, and provide all documentation, as described in this NOFA and associated Application materials. Final Application deadline date is **5:00 p.m. FRIDAY, MAY 30, 2008.**

Applications mailed via the U.S. Postal Service must be mailed to:

**Texas Department of Housing & Community Affairs
HOME Division
P.O. Box 13941
Austin, Texas 78711-3941**

Applications mailed by private carrier or hand-delivered will be received at the physical address:

**Texas Department of Housing & Community Affairs
HOME Division
221 E. 11th Street
Austin, Texas 78701**

Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$30 per Application. Please send a check, cashier's check or money order; **do not send cash.** Section

2306.147(b) of the Texas Government Code requires the Department to waive grant Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status in lieu of the Application fee.

Applications that do not meet the filing deadline and Application fee requirements will be returned to the Applicant and will not be considered for funding. Application deficiencies will be processed in accordance to 10 TAC §53.48(a) an Applicant may appeal decisions made by the Department in accordance with 10 TAC §1.7.

This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME TBRA Program. For proper completion of the Application the Department strongly encourages potential Applicants to review all applicable HOME rules and regulations and to attend an Application training workshop.

Application Workshop

The Department will present a TBRA Application Workshop that will provide an overview of the TBRA Program, Application preparation and submission requirements, evaluation criteria, and state and federal program information. The Application Workshop schedule and registration will be posted on the Department's website at www.tdhca.state.tx.us.

Audit Requirements

An Applicant is not eligible to apply for funds or any other assistance from the Department unless a past audit or Audit Certification Form has been submitted to the Department in a satisfactory format on or before the Application deadline for funds or other assistance per 10 TAC §1.3(b). This is a program eligibility requirement outlined in the Application, therefore Applications that have outstanding past audits will be disqualified. Staff will not recommend Applications for funding to the Department's Governing Board unless all unresolved audit findings, questions or disallowed costs are resolved per 10 TAC §1.3(c).

Contact Information

Questions regarding this NOFA should be addressed to:

HOME Division

221 E. 11th Street

Austin, Texas 78701

Telephone: (512) 463-8921

E-mail: home@tdhca.state.tx.us

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval to amend the HOME Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's).

Requested Action

Approve, Deny or Approve with Amendments the amended Community Housing Development Organization (CHDO) and Rental Housing Development NOFA's.

Background

In July 2007, the Board approved the Community Housing Development Organization (CHDO) and Rental Housing Development Program Notices of Funding Availability (NOFAs). The NOFA's made available \$6,000,000 in CHDO funds and \$15,000,000 in HOME funds for qualified applicants to develop affordable rental housing developments. Due to the continued interest and possible approval of the HOME Program Rule, staff recommends amending the Community Housing Development Organization (CHDO) and Rental Housing Development NOFA's to comply with the HOME Program Rule as proposed for adoption on this month's agenda. In addition to minor grammatical corrections, staff has removed a threshold requirement in both NOFAs regarding total development costs per square foot since this was an unintentional scoring criteria that was carried over from competitive rental housing development applications. Finally, in an attempt to meet the HOME Division's Performance Measures for multifamily development, staff has added an additional threshold requirement that twenty percent (20%) of the total units proposed must be HOME units.

The original NOFA is attached with blackline reflecting the amendments proposed.

Recommendation

Approve the amended Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Notice of Funding Availability (NOFA) for release.



Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

Community Housing Development Organization (CHDO)

Single Family and Rental Housing Development Program

Notice of Funding Availability (NOFA)

1) Summary

- a) The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of approximately \$6,000,000 in funding from the HOME Investment Partnerships Program for Community Housing Development Organizations (CHDO) to develop affordable single family housing for homeownership and rental housing for low-income Texans. The availability and use of these funds is subject to the State HOME Rules at Title 10 Texas Administrative Code (10 TAC) Chapter 53 (“HOME Rules”) in effect at the time the application is submitted, the Federal HOME regulations governing the HOME program (24 CFR Part 92), and Chapter 2306, Texas Government Code. Other Federal regulations may also apply such as, but not limited to, 24 CFR parts 50 and 58 for environmental requirements, Davis-Bacon Act for labor standards, 24 CFR 85.36 and 84.42 for conflict of interest and 24 CFR part 5, subpart A for fair housing. Applicants are encouraged to familiarize themselves with all of the applicable state and federal rules that govern the program.

2) Allocation of HOME Funds

- a) These funds are made available through unawarded and deobligated HOME funds that are set-aside for eligible CHDO single family developments and rental housing development proposals which involve new construction, rehabilitation, acquisition and rehabilitation of affordable housing development activities. All funds released under this NOFA are to be used for the creation of affordable single family and rental housing for low-income Texans earning 80 percent or less of the Area Median Family Income (AMFI).

~~b) A rental application may be submitted in a PJ if the HOME units requested are serving persons with disabilities; however the submission will not be processed, reviewed or~~

~~potentially recommended to the Board unless there is a balance of uncommitted funds available from the 5% PJ funds.~~

~~e)b)~~ In accordance with 10 TAC §53.458, this NOFA will be an Open Application Cycle and funding will be available on a first-come, first-served Statewide basis. Applications will be accepted until 5:00 p.m. **June 2, 2008** unless all funds are committed prior to this date. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold and financial feasibility will not be considered for funding.

~~e)c)~~ The Department awards HOME funds, typically as a loan, to eligible recipients for the provision of housing for low, very low and extremely low-income individuals and families, pursuant to 10 TAC §53.4154(2). Award amounts are limited to no more than \$3 million per development. The minimum HOME award may not be less than \$1,000 per HOME assisted unit. The maximum award may not exceed 90% of the total development costs. The remaining 10% of total development cost must be in the form of loans or grants from private or public entities. The per-unit subsidy may not exceed the per-unit dollar limits established by the United States Department of Housing and Urban Development (HUD) under §221(d)(3) of the National Housing Act which are applicable to the area in which the development is located, and as published by HUD. For rental housing developments, the Department's underwriting guidelines in 10 TAC § 1.32 will be used which set as a minimum feasibility a 1.15 debt coverage ratio. Where the anticipated debt coverage ratio in the year after completion exceeds 1.35, a loan or partial loan will be recommended.

~~e)d)~~ Each CHDO that is awarded HOME funds may also be eligible to receive a grant for CHDO Operating Expenses. Applicants will be required to submit organizational operating budgets, audits and other financial and non-financial materials detailed in the HOME application. The award amount for CHDO Operating Expenses shall not exceed \$50,000. Awards for operating expenses will be drawn over a two-year period of time. The Department reserves the right to limit an Applicant to receive not more than one award of CHDO Operating Expenses during the same fiscal year and to further limit the award of CHDO Operating Expenses.

~~e)e)~~ Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least \$12,000 per unit in direct hard costs, unless the property is also being financed by the United States Department of Agriculture's Rural Development program. When HOME funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR §92.251(a)(1).

3) Eligible and ~~Ineligible Prohibited~~ Activities

a) Eligible activities will include those permissible under the federal HOME Rule at 24 CFR §92.205, the State HOME Rules at 10 TAC §53.34 and 53.5053(g), which involve only the acquisition, rehabilitation and construction of affordable developments.

b) Prohibited activities include those under federal HOME rules at 24 CFR 92.214 and 10 TAC §53.~~3756~~.

~~e)~~ Development funds will not be eligible for use in a Participating Jurisdiction (PJ). Any HOME funds available for serving households in a PJ will only be made available under a separate NOFA for Persons with Disabilities as described in the 2008 State of Texas Consolidated Plan One-Year Action Plan.

~~d)c)~~ Refinancing of federally financed properties or use of HOME funds for properties constructed within five years of the submission of an Application for assistance will not be permissible.

4) Eligible and Ineligible Applicants

a) The Department provides HOME CHDO funding to qualified nonprofit organizations eligible for CHDO certification. CHDO Certification will be awarded in accordance with the rules and procedures as set forth in the HOME rules at 10 TAC §53.~~5063~~, Community Housing Development Organization (CHDO) Certification. A separate application process is required for CHDO Certification. Review and approval of the CHDO Certification occurs during the threshold review process, however Applicants will not receive a formal certification until the award of the HOME funds has been approved by the Department's Board. The CHDO Application package will be available with all other application materials on the Department's website. A new Application for CHDO certification must be submitted to the Department with each new Application for HOME Development funds under the CHDO set aside.

b) Only Applicants that have proven success and acceptable performance on a previous HOME contract received from the Department, as evidenced by the contract and determined by the Department, are eligible to apply for funding for single family development.

c) CHDO Applicants must be the Sponsor, Owner or Developer of the proposed Development. Applicants who apply through a Limited Partnership will be required to provide evidence, at the time of CHDO certification and commitment, that the CHDO Applicant is the Managing General Partner of the partnership and has effective control (decision making authority) over the development and management of the property, pursuant to 24 CFR §92.300.

d) Applicants may be ineligible for funding if they meet any of the criteria listed in §53.~~4253(b)~~ of the Department's HOME rule, ~~clarification for §53.53(b)(6) creates and~~ ineligibility with any requirements under 10 TAC ~~50.5 49.5(a)~~ of this title excluding subsections (5) thru (8). Applicants are encouraged to familiarize themselves with the Department's certification and debarment policies prior to application submission.

5) Matching Funds

a) Applicants will be required to submit documentation on all financial resources to be used in the development that may be considered match to the Department's federal HOME

requirements. Applicants must provide firm commitments as defined in accordance with the Federal HOME rules at 24 CFR §92.218 and the Department's Match Guide and will be provided with the appropriate forms and instructions on how to report eligible match.

6) Rental Housing Development Affordability Requirements

- a) Applicants should be aware that there are minimum affordability standards necessary for HOME assisted rental developments. Initial occupancy income restrictions require that at least 90% of the units are affordable to persons below 60% AMFI and that 20% of the units are affordable to person below 50% AMFI. Over the remaining affordability period at least 20% of HOME assisted units should be affordable to persons earning 50% or less than the AMFI, all remaining units must be affordable to persons earning 80% or less than the AMFI.
- b) Each development will have a two-tier affordability term.
 - i) The first tier will entail the federally required affordability term. For new construction or acquisition of new housing, this term is 20 years. For rehabilitation or acquisition of existing housing, the term is 5 years if the HOME investment is less than \$15,000 per unit; 10 years if the HOME investment is \$15,000 to \$40,000 per unit; and 15 years if the HOME investment is greater than \$40,000 per unit. This first tier is subject to all federal laws and regulations regarding HOME requirements, recapture, net proceeds and affordability.
 - ii) The second tier of affordability is the additional number of years required to bring the total term of affordability up to 30 years or the term of the loan agreement. For example, the second tier of affordability on a 10-year federal affordability term is 20 additional years. The second tier, or remaining term, is subject only to state regulations and affordability requirements.
- c) Properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

7) Single Family Development Affordability Requirements

- a) Applicants must ensure that the minimum affordability requirements are met for HOME assisted single family developments pursuant to 24 CFR §92.254. The Department has elected the recapture provision to recoup all or part of the HOME funds provided to the homebuyer, if the housing does not continue to be the principal residence of the family assisted for the duration of the required affordability period.

- b) Properties will be restricted under the deed of trust or other such instrument as determined and drafted by the Department for these terms.

8) Site and Development Restrictions

- a) Pursuant to 24 CFR §92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, one of three model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926d. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a HOME-assisted property, a participating jurisdiction may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
- b) All other HOME-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401. When HOME funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR §92.251(a)(1).
- c) Housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601–3619). Additionally, pursuant to the 2007 Qualified Allocation Plan (QAP), §49.9(h)(4)(G), Developments involving New Construction (excluding New Construction of nonresidential buildings) where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A certification will be required after the Development is completed from an inspector, architect, or accessibility specialist. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.
- d) All of the ~~2007-2008~~ Qualified Allocation Plan and Rules 10 TAC §~~50.649-6~~, excluding subsections (d), (f), (g) and (h) apply.
- e) Developments involving new construction will be limited to 252 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of

acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units, pursuant to 10 TAC §53.45 ~~(b)53(f)~~.

9) Threshold Criteria

- a) Housing units subsidized by HOME funds must be affordable to low, very-low or extremely low-income persons. Mixed Income rental developments may only receive funds for units that meet the HOME program affordability standards. All applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule at 10 TAC §1.15.
- b) For funds being used for Rental Housing Developments, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC §1.37 of this title, pursuant to 10 TAC 53.45 ~~(c)53(i)~~.
- c) All applications will be required to meet Section 8 Housing Quality Standards detailed under 24 CFR §982.401, Texas Minimum Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply. If the development is located within a jurisdiction that does not have building codes, developments must meet the most current International Building Code.
- d) Pursuant to 10 TAC §53.8 ~~(a)53(j)~~, Applicants 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 be terminated under competitive application cycles. Applicants must provide notifications to:
 - i) the executive officer and elected members of the governing board of the community where the development will be located. This includes municipal governing boards, city councils, and County governing boards;
 - ii) all neighborhood organizations whose defined boundaries include the location of the Development;
 - iii) executive officer and Board President of the school district that covers the location of the Development;
 - iv) residents of occupied housing units that may be rehabilitated, reconstructed or demolished; and
 - v) the State Representative and State Senator whose district covers the location of the Development.

- vi) the notification letter must include, but not be limited to, the address of the development site, the number of units to be built or rehabilitated, the proposed rent and income levels to be served, and all other details required of the NOFA and Application Manual.
- e) The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise:
 - i) An applicant shall provide certification that no person or entity that would benefit from the award of HOME funds has provided a source of match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith, pursuant to 10 TAC §53.~~44 (6)~~53(k).
 - ii) All contractors, consulting firms, and Administrators must sign and submit an affidavit with each draw to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions, pursuant to §53.~~44 (7)~~53(l).
 - iii) To encourage the inclusion of families and individuals with the highest need for affordable housing, applicants for rental housing development must target a minimum of 5% of the total units for individuals or families earning 30% or less of area medium income for the development site. Additionally, 20% of the total units proposed must be HOME units.
 - iv) To encourage the involvement of other public agencies and private entities in affordable housing, applicants must provide a minimum of 10% of the total development cost from other public agencies and/or private entities.
 - ~~v) For rental housing developments, to encourage reasonable and cost effective building strategies, applicants must limit development cost per square foot to \$70.00 for new construction and \$38.00 for rehabilitation. Please note, use normal rounding when performing this calculation. (\$69.50 and higher would be rounded up to \$70.00, \$69.49 and lower would be rounded down to \$69.00).~~
 - ~~vi)v) All of the 2007 Qualified Allocation Plan and Rules at 10 TAC §49.9(h), excluding subsections (4)(I), (11), (12) and (15).~~
 - ~~vii)vi) An applicant is not eligible to apply for funds or any other assistance from the Department unless audits are current at the time of application or the Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC §1.3(b).~~

10) Review Process

- a) Pursuant to 10 TAC §53.~~45~~8, each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department.

Then each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review. Applications will be reviewed for Applicant and Activity Eligibility, Threshold Criteria, and Financial Feasibility as described in this NOFA.

Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.

Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.

Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application within 30 days of the Application enters Phase Three. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.

Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has completed all phases of its review. In the case that all HOME funds are committed before an Application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new HOME funds become available, Applications will continue onward with their review without losing their Received Date priority. If HOME funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The Applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed

- b) Pursuant to the ~~QAP 49.5(a)(9)~~ HOME Rule §53.42 if a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department. If an application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency.

~~Phase One will begin as of the received date. Applications not being considered under the CHDO Set Aside will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications with deficiencies not cured within seven business days, will be retained in Phase One until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 50 days of the received date will be terminated and must reapply for consideration of funds.~~

~~Phase Two will include a review of all application requirements. The Department will ensure review of materials required under the NOFA, and application guidelines and will issue notice of any deficiencies as to threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications with deficiencies not cured within seven business days, will be retained in Phase Two until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies, and of threshold and eligibility requirements will the Application be forwarded to Phase Three. An Application that has not proceeded out of Phase Two within 65 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds.~~

~~Application submitted for non-development Activities will not go through a Phase Three evaluation.~~

~~Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within seven business days, will be retained in Phase Three until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to the Department's Executive Awards Review and Advisory Committee for recommendation to the Board. Any application that has not finished Phase Three within 65 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.~~

~~Upon completion of the applicable final review Phase, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as HOME funds are still available for this Activity under the applicable NOFA. If the Application is recommended at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If the Application is recommended with less than 14 days before the next Board meeting, the recommendation will be placed on the subsequent month's Board meeting agenda. Applications which are not recommended by the committee will be either returned to Department Staff or terminated.~~

~~Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an application has completed all phases of its review. In the case that all HOME funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new HOME funds become available, applications will continue onward with their review without losing their received date priority. If HOME funds do not become available within 90 days of the notification, the Applicant will be notified that their application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds exist under the NOFA and the application will not be processed.~~

- c) ~~Pursuant to 10 TAC §53.59(3), a~~A site visit will be conducted as part of the HOME Program development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HOME funding by the Board.

- d) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department strives, through its loan terms, to securitize its funding while ensuring the financial feasibility of a Development. The Department reserves the right to negotiate individual elements of any Application.
- e) In accordance with §2306.082 Texas Government Code and 10 TAC §53.658(d), it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.
- f) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

11) Application Submission

- a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on June 2, 2008. The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published on the Department's web site until the deadline. For questions regarding this NOFA please contact Barbara Skinner at 512-475-1643 or via e-mail at barbara.skinner@tdhca.state.tx.us or ~~Carmen Roldan Skip Beard~~ at 512-475-22150908 or via e-mail at carmen.rolدان@tdhca.state.tx.us ~~skip.beard@tdhca.state.tx.us~~.
- b) If an Application is submitted to the Department for a Development that requests funds from two separate housing finance programs, and only one of the housing finance programs is operated as a competitive cycle, the Application will be handled in accordance with the guidelines for each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs.
- b)c) _____ All applications must be submitted, and provide all documentation, as described in this NOFA and associated application materials.
- e)d) _____ Applicants must submit one complete printed copy of all Application materials and one complete scanned copy of the Application materials as detailed in the 2008~~7~~

Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2007~~8~~ Final ASPM.

~~d~~e) _____ The application consists of three parts: bound items, unbound items and electronic submission. A complete application for each proposed development must be submitted. Incomplete applications or improperly bound applications will not be accepted. The bound volumes of the application must be bound using red pressboard binders. Each volume must be submitted in a separate red pressboard binder. If the required documentation for a volume exceeds the capacity of one binder, a second binder may be used to subdivide the volume. Applicants must submit one complete printed copy of all application materials and one complete scanned copy stored on compact disc of the application materials as detailed in the 2008~~7~~ Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008~~7~~ Final ASPM.

~~e~~f) Third party reports – If third party reports are not received at the time of application submission, the Application will be terminated.

~~f~~g) All Application materials including manuals, NOFA, program guidelines, and all applicable HOME rules, will be available on the Department's website at www.tdhca.state.tx.us. Applications will be required to adhere to the HOME Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.

~~g~~h) _____ Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$500.00 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. §2306.147(b) of the Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee. The Application fee is not an allowable or reimbursable cost under the HOME Program.

~~h~~i) Applications must be sent via overnight delivery to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
221 East 11th Street
Austin, TX 78701-2410

or via the U.S. Postal Service to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
Post Office Box 13941
Austin, TX 78711-3941

NOTE: This NOFA does not include the text of the various applicable regulatory provisions that may be important to the particular HOME CHDO Rental Housing Development Program. For proper completion of the application, the Department strongly encourages potential applicants to review all applicable State and Federal regulations.



Texas Department of Housing and Community Affairs HOME Investment Partnerships Program

Rental Housing Development Program Notice of Funding Availability (NOFA)

1) Summary

- a) The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of approximately \$15,000,000 in funding from the HOME Investment Partnerships Program for the development of affordable rental housing for low-income Texans. The availability and use of these funds is subject to the State HOME Rules at Title 10 Texas Administrative Code (10 TAC) Chapter 53 (“HOME Rules”) in effect at the time application is submitted, the Federal HOME regulations governing the HOME program (24 CFR Part 92), and Chapter 2306, Texas Government Code. Other Federal regulations may also apply such as, but not limited to, 24 CFR Parts 50 and 58 for environmental requirements, Davis-Bacon Act for labor standards, 24 CFR 85.36 and 84.42 for conflict of interest and 24 CFR Part 5, Subpart A for fair housing. Applicants are encouraged to familiarize themselves with all of the applicable state and federal rules that govern the program.

2) Allocation of HOME Funds

- a) These funds are made available through unawarded and deobligated HOME funds that are set-aside for rental housing development proposals which involve new construction, rehabilitation, acquisition and rehabilitation of affordable rental housing development activities. All funds released under this NOFA are to be used for the creation of affordable rental housing for low-income Texans earning 80 percent or less of the Area Median Family Income (AMFI).
- b) ~~A rental application may be submitted in a PJ if the HOME units requested are serving persons with disabilities; however the submission will not be processed, reviewed or potentially recommended to the Board unless there are a balance of uncommitted funds available from the 5% PJ funds.~~

- c) In accordance with 10 TAC 53.4858, this NOFA will be an Open Application Cycle and funding will be available on a first-come, first-served Statewide basis. Applications will be accepted until 5:00 p.m. **June 2, 2008** unless all funds are committed prior to this date. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold and financial feasibility will not be considered for funding.
- d) The Department awards HOME funds, typically as a loan, to eligible recipients for the provision of housing for low, very low and extremely low-income individuals and families, pursuant to 10 TAC 53.4154(2). Award amounts are limited to no more than \$3 million per development. The minimum HOME award may not be less than \$1,000 per HOME assisted unit. The maximum award may not exceed 90% of the total development costs. The remaining 10% of total development cost must be in the form of loans or grants from private or public entities. The per-unit subsidy may not exceed the per-unit dollar limits established by the United States Department of Housing and Urban Development (HUD) under §221(d)(3) of the National Housing Act which are applicable to the area in which the development is located, and as published by HUD. The Department's underwriting guidelines in 10 TAC 1.32 will be used which set as a minimum feasibility a 1.15 debt coverage ratio. Where the anticipated debt coverage ratio in the year after completion exceeds 1.35, a loan or partial loan will be recommended.
- e) Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least \$12,000 per unit in direct hard costs, unless the property is also being financed by the United States Department of Agriculture's Rural Development program. When HOME funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR 92.251(a)(1).

3) Eligible and ~~Ineligible~~ Prohibited Activities

- a) Eligible activities will include those permissible under the federal HOME Rule at 24 CFR 92.205, the State HOME Rules at 10 TAC 53.3453(g), which involve only the acquisition, rehabilitation and construction of affordable rental developments.
- b) Prohibited activities include those under federal HOME rules at 24 CFR 92.214 and 10 TAC 53.3756.
- c) Rental development funds will not be eligible for use in a Participating Jurisdiction (PJ). Any HOME funds available for serving households in a PJ will only be made available under a separate NOFA for Persons with Disabilities as described in the 2008 State of Texas Consolidated Plan One-Year Action Plan.
- d) Refinancing of federally financed properties or use of HOME funds for properties constructed within five years of the submission of an Application for assistance will not be permissible.

4) Eligible and Ineligible Applicants

- a) The Department provides HOME funding to qualified nonprofit organizations, for-profit entities, sole proprietors, public housing authorities and units of general local government.
- b) Applicants may be ineligible for funding if they meet any of the criteria listed in §53.4253(b) of the Department's HOME rule, ~~clarification for §53.53(b)(6) creates and~~ ineligibility with any requirements under 10 TAC 4950.5(a) excluding subsections (5) - (8). Applicants are encouraged to familiarize themselves with the Department's certification and debarment policies prior to application submission.

5) Matching Funds

- a) Applicants will be required to submit documentation on all financial resources to be used in the development that may be considered match to the Department's federal HOME requirements. Applicants must provide firm commitments as defined in accordance with the Federal HOME rules at 24 CFR 92.218 and the Department's Match Guide and will be provided with the appropriate forms and instructions on how to report eligible match.

6) Affordability Requirements

- a) Applicants should be aware that there are minimum affordability standards necessary for HOME assisted rental developments. Initial occupancy income restrictions require that at least 90% of the units are affordable to persons below 60% AMFI and that 20% of the units are affordable to person below 50% AMFI. Over the remaining affordability period at least 20% of HOME assisted units should be affordable to persons earning 50% or less than the AMFI, all remaining units must be affordable to persons earning 80% or less than the AMFI.
- b) Each development will have a two-tier affordability term.
 - i) The first tier will entail the federally required affordability term. For new construction or acquisition of new housing, this term is 20 years. For rehabilitation or acquisition of existing housing, the term is 5 years if the HOME investment is less than \$15,000 per unit; 10 years if the HOME investment is \$15,000 to \$40,000 per unit; and 15 years if the HOME investment is greater than \$40,000 per unit. This first tier is subject to all federal laws and regulations regarding HOME requirements, recapture, net proceeds and affordability.
 - ii) The second tier of affordability is the additional number of years required to bring the total term of affordability up to 30 years or the term of the loan agreement. For example, the second tier of affordability on a 10-year federal affordability term is 20 additional years. The second tier, or remaining term, is subject only to state regulations and affordability requirements.
- c) Properties will be restricted under a Land Use Restriction Agreement ("LURA"), or other such instrument as determined by the Department for these terms. Among other

restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

7) Site and Development Restrictions

- a) Pursuant to 24 CFR 92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code for new construction or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, one of three model codes: Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926d. To avoid duplicative inspections when Federal Housing Administration (FHA) financing is involved in a HOME-assisted property, a participating jurisdiction may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
- b) All other HOME-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401. When HOME funds are used for a rehabilitation development the entire unit must be brought up to the applicable property standards, pursuant to 24 CFR 92.251(a)(1).
- c) Housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601–3619). Additionally, pursuant to the 2008~~7~~ Qualified Allocation Plan (QAP), 10 TAC ~~5049~~.9(h)(4)(G), Developments involving New Construction (excluding New Construction of nonresidential buildings) where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A certification will be required after the Development is completed from an inspector, architect, or accessibility specialist. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.

- d) All of the 200~~87~~ Qualified Allocation Plan and Rules 10 TAC ~~5049.6~~, excluding subsections (d), (f), (g) and (h) apply.
- e) Developments involving new construction will be limited to 252 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units, pursuant to 10 TAC ~~5345(b).53(f)~~.

8) Threshold Criteria

- a) Housing units subsidized by HOME funds must be affordable to low, very-low or extremely low-income persons. Mixed Income rental developments may only receive funds for units that meet the HOME program affordability standards. All applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule at 10 TAC 1.15.
- b) For funds being used for Rental Housing Developments, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC 1.37, pursuant to 10 TAC ~~53.45 (c).53(i)~~.
- c) All applications will be required to meet Section 8 Housing Quality Standards detailed under 24 CFR 982.401, Texas Minimum Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply. If the development is located within a jurisdiction that does not have building codes, developments must meet the most current International Building Code.
- d) Pursuant to 10 TAC ~~53.8 (a).53(j)~~, Applicants 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 be terminated under competitive application cycles. Applicants must provide notifications to:
 - i) the executive officer and elected members of the governing board of the community where the development will be located. This includes municipal governing boards, city councils, and County governing boards;
 - ii) all neighborhood organizations whose defined boundaries include the location of the Development;
 - iii) executive officer and Board President of the school district that covers the location of the Development;

- iv) residents of occupied housing units that may be rehabilitated, reconstructed or demolished; and
 - v) the State Representative and State Senator whose district covers the location of the Development.
 - vi) the notification letter must include, but not be limited to, the address of the development site, the number of units to be built or rehabilitated, the proposed rent and income levels to be served, and all other details required of the NOFA and Application Manual.
- e) The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise:
- i) An applicant shall provide certification that no person or entity that would benefit from the award of HOME funds has provided a source of match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith, pursuant to 10 TAC 53.~~44 (6)53(k)~~.
 - ii) All contractors, consulting firms, and Administrators must sign and submit an affidavit with each draw to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions, pursuant to 10 TAC 53.~~44 (7)53(l)~~.
 - iii) To encourage the inclusion of families and individuals with the highest need for affordable housing, applicants must target a minimum of 5% of the total units for individuals or families earning 30% or less of area medium income for the development site. Additionally, 20% of the total units proposed must be HOME units.
 - iv) To encourage the involvement of other public agencies and private entities in affordable housing, applicants must provide a minimum of 10% of the total development cost from other public agencies and/or private entities.
 - ~~v) To encourage reasonable and cost effective building strategies, applicants must limit development cost per square foot to \$70.00 for new construction and \$38.00 for rehabilitation. Please note, use normal rounding when performing this calculation. (\$69.50 and higher would be rounded up to \$70.00, \$69.49 and lower would be rounded down to \$69.00).~~
 - ~~vi)v)~~ All of the 200~~87~~ Qualified Allocation Plan and Rules at 10 TAC ~~5049.9(h)~~, excluding subsections (4)(I), (11), (12) and (15).
 - ~~vii)vi)~~ An applicant is not eligible to apply for funds or any other assistance from the Department unless audits are current at the time of application or the Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC 1.3(b).

9) Review Process

- a) Pursuant to 10 TAC 53.458, each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review. Applications will be reviewed for Applicant and Activity Eligibility, Threshold Criteria, and Financial Feasibility as described in this NOFA.

Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.

Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require

additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.

Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application within 30 days of the Application enters Phase Three. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.

Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has completed all phases of its review. In the case that all HOME funds are committed before an Application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new HOME funds become available, Applications will continue onward with their review without losing their Received Date priority. If HOME funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The Applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed.

- b) Pursuant to the QAP and 10 TAC 53.4210 TAC 49.5(a)(9) if a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department. If an application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency.

~~Phase One will begin as of the received date. Applications not being considered under the CHDO Set-Aside will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications with deficiencies not cured within seven business days, will be retained in Phase One until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon~~

~~satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 50 days of the received date will be terminated and must reapply for consideration of funds.~~

~~Phase Two will include a review of all application requirements. The Department will ensure review of materials required under the NOFA, and application guidelines and will issue notice of any deficiencies as to threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications with deficiencies not cured within seven business days, will be retained in Phase Two until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies, and of threshold and eligibility requirements will the Application be forwarded to Phase Three. An Application that has not proceeded out of Phase Two within 65 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds. Application submitted for non-development Activities will not go through a Phase Three evaluation.~~

~~Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with 10 TAC 1.32. REA will create an underwriting report identifying staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within seven business days, will be retained in Phase Three until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to the Department's Executive Awards Review and Advisory Committee for recommendation to the Board. Any application that has not finished Phase Three within 65 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.~~

~~Upon completion of the applicable final review Phase, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as HOME funds are still available for this Activity under the applicable NOFA. If the Application is recommended at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If the Application is recommended with less than 14 days before the next Board meeting, the recommendation will be placed on the subsequent month's Board meeting agenda. Applications which are not recommended by the committee will be either returned to Department Staff or terminated.~~

~~Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an application has completed all phases of its review. In the case that all HOME funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new HOME funds become available, applications will continue onward with their review without losing their received date priority. If HOME funds do not become available within 90 days of the notification, the Applicant will be notified that their application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds exist under the NOFA and the application will not be processed.~~

- c) ~~Pursuant to 10 TAC 53.59(3), a~~ site visit may ~~will~~ be conducted as part of the HOME Program development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HOME funding by the Board.
- d) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department strives, through its loan terms, to securitize its funding while ensuring the financial feasibility of a Development. The Department reserves the right to negotiate individual elements of any Application.
- e) In accordance with §2306.082 Texas Government Code and 10 TAC 53.~~658(d)~~, it is the Department's policy to encourage the use of appropriate Alternative Dispute Resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 TAC 1.17.
- f) An Applicant may appeal decisions made by staff in accordance with 10 TAC 1.7.

10) Application Submission

- a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on June 2, 2008. The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published

on the Department's web site until the deadline. For questions regarding this NOFA please contact Barbara Skinner at 512-475-1643 or via e-mail at barbara.skinner@tdhca.state.tx.us or ~~Skip Beard-Carmen Roldan~~ at 512-475-2215 0908 or via e-mail at carmen.roldan@tdhca.state.tx.us ~~skip.beard@tdhca.state.tx.us~~.

b) If an Application is submitted to the Department for a Development that requests funds from two separate housing finance programs, and only one of the housing finance programs is operated as a competitive cycle, the Application will be handled in accordance with the guidelines for each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs.

b)c) _____ All applications must be submitted, and provide all documentation, as described in this NOFA and associated application materials.

e)d) _____ Applicants must submit one complete printed copy of all Application materials and one complete scanned copy of the Application materials as detailed in the 2008~~7~~ Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008~~7~~ Final ASPM.

d)e) _____ The application consists of three parts: bound items, unbound items and electronic submission. A complete application for each proposed development must be submitted. Incomplete applications or improperly bound applications will not be accepted. The bound volumes of the application must be bound using red pressboard binders. Each volume must be submitted in a separate red pressboard binder. If the required documentation for a volume exceeds the capacity of one binder, a second binder may be used to subdivide the volume. Applicants must submit one complete printed copy of all application materials and one complete scanned copy stored on compact disc of the application materials as detailed in the 2008~~7~~ Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2007 Final ASPM.

e)f) Third party reports – If third party reports are not received at the time of application submission, the Application will be terminated.

d)g) All Application materials including manuals, NOFA, program guidelines, and all applicable HOME rules, will be available on the Department's website at www.tdhca.state.tx.us. Applications will be required to adhere to the HOME Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.

e)h) _____ Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$500.00 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. Section 2306.147(b) of the Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or

human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee. The Application fee is not an allowable or reimbursable cost under the HOME Program.

h) Applications must be sent via overnight delivery to:

**HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
221 East 11th Street
Austin, TX 78701-2410**

or via the U.S. Postal Service to:

**HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
Post Office Box 13941
Austin, TX 78711-3941**

***NOTE:** This NOFA does not include the text of the various applicable regulatory provisions that may be important to the particular HOME CHDO Rental Housing Development Program. For proper completion of the application, the Department strongly encourages potential applicants to review all applicable State and Federal regulations.*

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of the amended Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the amended Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA).

Background

At the September 2007 Board meeting, the Housing Trust Fund Program Rule was approved. The Rental Production Program Notice of Funding Availability (NOFA) has been reviewed and updated to reflect changes to the rule that affect or are referenced in the NOFA. In addition to minor grammatical corrections, staff has removed a threshold requirement regarding total development costs per square foot since this was an unintentional scoring criteria that was carried over from competitive rental housing development applications.

The original NOFA is attached with blackline reflecting the amendments proposed.

Recommendation

Approve the amended Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA).



Texas Department of Housing and Community Affairs
Housing Trust Fund
Rental Production Program
Notice of Funding Availability (NOFA)

1) Summary

- a) The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of approximately \$844,000 in funding from the Housing Trust Fund for financing of affordable rental housing for very low-income and extremely low-income Texans. The availability and use of these funds is subject to the state Housing Trust Fund Rules at Title 10 Texas Administrative Code (10 TAC) Chapter 51 (“HTF Rules”) and Chapter 2306, Texas Government Code in effect at the time an application is submitted. Applicants are encouraged to familiarize themselves with all of the applicable rules that govern the program.

2) Allocation of Housing Trust Funds

- a) These funds are made available through General Revenue Funds appropriated to the Housing Trust Fund during the 80th Legislative Session for financing rental housing developments which involve new construction, rehabilitation or acquisition and rehabilitation. All funds released under this NOFA are to be used for the subsidizing of affordable rental housing units that target very low-income Texans earning 50 percent or less of Area Median Family Income (AMFI) and are not being funded with Housing Tax Credits. Additionally, if the funds are used to target extremely low-income Texans earning 30 percent or less of the AMFI and those units are not designated to serve extremely low-income households through another subsidy source, the Department may allow a forgivable loan only for those extremely low-income units.
- b) In accordance with 10 TAC 51.8, this NOFA will be an Open Application Cycle and funding will be available on a first-come, first-served statewide basis. Applications will be accepted until 5:00 p.m. **May 1, 2008** unless all funds are committed prior to this date. Applicants are encouraged to review the application process cited above and described herein. Applications that do not meet minimum threshold and financial feasibility will not be considered for funding.

- c) The Department will ~~allocate award~~ Housing Trust Fund ~~awards~~ funds as a loan, to eligible recipients for the provision of housing for very low and extremely low-income individuals and families. Funds will be ~~distributed allocated~~ primarily in rural areas and will not be awarded to developments that have received an ~~allocation of~~ Housing Tax Credits ~~award funds~~ so that special emphasis is given to smaller proposed developments. The Department's underwriting guidelines at 10 TAC §1.32 will be used which set as a minimum feasibility a 1.15 debt coverage ratio.
- d) Award amounts are limited to no more than \$250,000 per development.
- e) Developments involving rehabilitation must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least \$12,000 per unit in direct hard costs, unless the property is also being financed by the United States Department of Agriculture's Rural Development program.

3) Eligible and Ineligible Activities and Restrictions

- a) Eligible activities will include the financing, new construction, acquisition and/or rehabilitation of affordable rental housing developments.
- b) Ineligible activities include the acquisition, rehabilitation, reconstruction or refinancing of affordable rental housing constructed within the past 5 years or previously funded by the Department.
- c) Ineligible activities include financing for any property that also has received or will receive ~~a~~ Housing Tax Credits ~~award~~.
- d) Restrictions include the displacement of existing affordable housing. Pursuant to §2306.203(a)(4) of the Texas Government Code, Housing Trust Funds shall not be utilized on a development that has the effect of permanently ~~and involuntarily~~ displacing low, very low, and extremely low income persons and families. Low-Income persons who may be temporarily displaced by the rehabilitation of affordable housing may be eligible for compensation of moving and relocation expenses. If a Housing Trust Fund recipient violates the permanent dislocation provision of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

4) Eligible and Ineligible Applicants

- a) The Department provides HTF to qualified local units of government, public housing authorities, ~~community housing development organizations~~, nonprofit organizations and for-profit entities.
- b) Ineligible Applicants will include the following:
 - i) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;
 - ii) Applicants, or persons affiliated with the Applicant that have been barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;
 - iii) Applicants or persons affiliated with the Applicant that are subject of enforcement action under state or federal securities law, or are the subject of an enforcement proceeding with a state or federal agency or another governmental entity;

- iv) Applicants or persons affiliated with the Applicant that have unresolved audit findings related to previous or current funding agreements with the Department;
 - v) Applicants or persons affiliated with the Applicant that have delinquent loans, fees or other commitments with the Department, until payment is made;
 - vi) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;
 - vii) Applicants who have submitted incomplete Applications;
 - viii) Applicants or persons affiliated with the Applicant that have been otherwise barred by the Department;
 - ix) Applicants are subject to §1.13 of this title; or
 - x) Applicants or persons affiliated with the Applicant that have breached a contract with a public agency.
- c) Each Application will be reviewed for its compliance history by the Department, consistent with 10 TAC Chapter 60. Applicants, or persons affiliated with an Application, found to have a Development or Contract in Material Noncompliance with the Department, will have their Application(s) terminated.

5) Affordability Requirements

- a) Pursuant to §2306.203 (6) of the Texas Government Code, Applicants proposing multifamily housing, new construction or rehabilitation, will be required to guarantee the Development will remain affordable to income qualified families or individuals for a period of 20 years.
- b) Properties will be restricted under a Land Use Restriction Agreement (“LURA”), or other such instrument as determined by the Department for these terms. Among other restrictions, the LURA may require the owner of the property to continue to accept subsidies which may be offered by the federal government, prohibit the owner from exercising an option to prepay a federally insured loan, impose tenant income-based occupancy and rental restrictions, or impose any of these and other restrictions as deemed necessary at the sole discretion of the Department in order to preserve the property as affordable housing on a case-by-case basis.

6) Site and Development Restrictions

- a) Housing that is constructed or rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of local codes applications will be required to meet Texas Minimum Construction Standards, as well as the Fair Housing Accessibility Standards and Section 504 of the Rehabilitation Act of 1973. Developments must also meet all local building codes or standards that may apply.
- b) Housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR §100.201, must also meet the design and construction requirements at 24 CFR §100.205, which implement the Fair Housing Act (42 U.S.C. 3601–3619). Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code.

7) Threshold Criteria

- a) Housing units subsidized by HTF funds must be affordable to very-low (50% AMFI or below) or extremely low-income (30% AMFI or below) persons. Mixed Income rental developments may only receive funds for units that serve very-low or extremely low-income persons. All applications intended to serve persons with disabilities must adhere to the Department's Integrated Housing Rule at 10 TAC §1.15.
- b) The Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC §1.37.
- c) The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise. Applicants must demonstrate the application can meet the following threshold criteria to be considered for funding:
 - i) The application is consistent with the requirements established in the HTF rules and the NOFA.
 - ii) The Applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing an affordable housing development.
 - iii) To encourage the inclusion of families and individuals with the highest need for affordable housing, applicants must target units for individuals or families earning 50% or less of area medium income for the development site.
 - ~~iv) To encourage reasonable and cost effective building strategies, applicants must limit development cost per square foot to \$70.00 for new construction and \$38.00 for rehabilitation. Please note, use normal rounding when performing this calculation. (\$69.50 and higher would be rounded up to \$70.00, \$69.49 and lower would be rounded down to \$69.00).~~
 - v)iv) An applicant is not eligible to apply for funds or any other assistance from the Department unless audits are current at the time of application or the Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC §1.3(b).

8) Review Process

- a) Pursuant to 10 TAC §51.8, each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "~~R~~Received ~~D~~ate" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in ~~three-two~~ review phases, as applicable. Applications will continue to be prioritized for funding based on their "~~R~~received ~~D~~ate" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "~~R~~received ~~D~~ate" but that did not timely complete a phase of review. Applications will be reviewed for Applicant and Activity Eligibility, Threshold Criteria, and Financial Feasibility as described in this NOFA.

Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the

Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two will be reviewed for recommendation to the Board by the Committee.

Phase Two will include a comprehensive review for financial feasibility for Development Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds.. Applications that have completed this Phase will be reviewed for recommendation to the Board by the Committee.

Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available Housing Trust Fund funds before an application has completed all phases of review. In the case that all Housing Trust Fund funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new Housing Trust Fund funds become available, Applications will continue onward with their review without losing their Received Date priority. If Housing Trust Fund funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under the NOFA, the applicant will be notified that no funds remain under the NOFA and that the application will not be processed.

- b) If a submitted Application has an entire Volume of the application missing; has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or is so unclear, disjointed or incomplete that a thorough review cannot reasonably be performed by the Department, as determined, ~~by the Department. If an application is determined ineligible pursuant to this section, the Application~~ will be terminated without being processed as an Administrative Deficiency.

~~Phase One will include a review of all application requirements. The Department will ensure review of all application materials required under the NOFA and issue notice of any deficiencies on the application's satisfaction of threshold and eligibility within 45 days of the date it enters Phase One. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into Phase Two and will continue to be~~

~~prioritized by their received date. Applications which do not resolve all deficiencies within seven business days, will be retained in Phase One until all deficiencies have been addressed or resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to Phase Two. Applications that have not left Phase One within 65 days of the date it entered Phase One will be terminated and must reapply for consideration of funds.~~

~~Phase Two will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Department's Real Estate Analysis (REA) Division consistent with 10 TAC §1.32, Underwriting Rules and Guidelines. REA will draft an underwriting report that will identify staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within seven business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within seven business days, will be retained in Phase Two until Applicant resolves all deficiencies to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to the Department's Executive Award Review and Advisory Committee for final approval before recommendation to the Board. Any application that has not left Phase Two after 65 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds.~~

~~Upon completion of the applicable final review Phase, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as HTF funds are still available for this Activity under the applicable NOFA. If the Application is recommended at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If the Application is recommended with less than 14 days before the next Board meeting, the recommendation will be placed on the subsequent month's Board meeting agenda. Applications which are not recommended by the committee will be either returned to Department Staff or terminated.~~

~~Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HTF funds before an application has completed all phases of its review. In the case that all HTF are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new HTF funds become available, applications will continue onward with their review without losing their received date priority. If HTF funds do not become available within 90 days of the notification, the Applicant will be notified that their application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds exist under the NOFA and the application will not be processed.~~

- c) Pursuant to 10 TAC §51.8(e), a site visit will be conducted as part of the HTF Program development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HTF funding by the Board.
- d) The Department may decline to consider any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department strives, through its loan terms, to securitize its funding while ensuring the financial feasibility of a Development. The Department reserves the right to negotiate individual elements of any Application.
- e) In accordance with §2306.082 Texas Government Code and 10 TAC 51.8(g), it is the Department's policy to encourage the use of appropriate Alternative Dispute Resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 TAC 1.17.
- f) An Applicant may appeal decisions made by staff in accordance with 10 TAC §1.7.

9) Application Submission

- a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on **May 1, 2008**. The Department will accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays from the date this NOFA is published on the Department's web site until the deadline. For questions regarding this NOFA please contact Barbara Skinner at 512-475-1643 or via e-mail at barbara.skinner@tdhca.state.tx.us or Ann Gusman-MacBeth at 512-475-4606 or via e-mail at ann.macbeth@tdhca.state.tx.us.
- b) If an Application is submitted to the Department for a Development that requests funds from two separate housing finance programs, and only one of the housing finance programs is operated as a competitive cycle, the Application will be handled in accordance with the guidelines for each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs. If an Application is submitted for two separate housing finance programs where both programs are either open cycle, or competitive, the Application will be handled in accordance with the guidelines of each housing program. The Applicant is responsible for adhering to the deadlines and requirements of both programs.
- c) Applications submitted to the Department must be complete and include all support documentation and associated application materials as described in this NOFA .All

~~applications must be submitted, and provide all documentation, as described in this NOFA and associated application materials.~~

- d) Applicants must submit two complete printed copies of all Application materials as detailed in the 2007 ASPM for Housing Trust Fund.
- e) The application consists of three parts: bound items, unbound items and electronic submission. A complete application for each proposed development must be submitted. Incomplete applications or improperly bound applications will not be accepted. The bound volumes of the application must be bound using red pressboard binders. Each volume must be submitted in a separate red pressboard binder. If the required documentation for a volume exceeds the capacity of one binder, a second binder may be used to subdivide the volume.
- f) If third party reports are not received at the time of application submission, the Application will be terminated.
- g) ~~AH~~ Application materials including manuals, NOFA, program guidelines, and ~~all~~ applicable Housing Trust Fund rules, will be available on the Department's website at www.tdhca.state.tx.us. Applications will be required to adhere to the Housing Trust Fund Rule and threshold requirements in effect at the time of the Application submission. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.
- h) Applicants are required to remit a non-refundable Application fee payable to the Texas Department of Housing and Community Affairs in the amount of \$200.00 per Application. Payment must be in the form of a check, cashier's check or money order. Do not send cash. Section 2306.147(b) of the Texas Government Code requires the Department to waive Application fees for nonprofit organizations that offer expanded services such as child care, nutrition programs, job training assistance, health services, or human services. These organizations must include proof of their exempt status and a description of their supportive services in lieu of the Application fee.
- i) Applications must be sent via overnight delivery to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
221 East 11th Street
Austin, TX 78701-2410

or via the U.S. Postal Service to:

HOME Division
Texas Department of Housing and Community Affairs
Attn: Barbara Skinner
Post Office Box 13941
Austin, TX 78711-3941

***NOTE:** This NOFA does not include the text of the various applicable regulatory provisions that may be important to the particular Housing Trust Fund Program. For proper completion of the*

application, the Department strongly encourages potential applicants to review all applicable State and Federal regulations.

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation, Discussion and Possible Approval of the selection of an outside management firm to oversee the production of approximately three housing units in response to the Housing Trust Fund Texas Grow Home Demonstration Program Request for Proposals (RFP) issued October 15, 2007.

Required Action

Approve or Reject selected firm to serve as the management firm responsible for production oversight of housing units.

Background

The Texas Grow HOME Demonstration Program is a collaborative effort between the Texas Society of Architects, Housing Texas, Texas Low Income Housing Information Service, Chase Bank, and the Texas Department of Housing and Community Affairs. The purpose of the demonstration program is to develop an attractive, expandable, modular, highly affordable single-family housing prototype that can be fabricated quickly and in large quantities in response to both natural disasters and the continuing affordable housing shortage in Texas through a statewide design competition. Three single family housing designs will be selected in the competition and the winning designs will be the basis for the production of full plans and specifications for the construction of prototype homes. Jurors of the Texas Grow Home Design Competition include:

Texas Society of Architects -	Bob Meckfessel, FAIA, design associates
Distinguished architect -	Bryce Weigand, FAIA, Good, Fulton & Farrell
Distinguished architect -	Rob Clark, AIA, Architectural Alliance
Distinguished architect -	Charles Harper, FAIA, Harper Perkins Architects
Distinguished architect -	Tom Hatch, AIA, hatch + ulland owen architects
Architecture design academic/critic-	Michael Pyatok, AIA, Pyatok Architects, Inc.
State elected official representative -	John Sneed, Office of Lt. Governor David Dewhurst
Local elected official -	Mayor Deloris Price, City of Port Arthur
Hurricane Rita survivor -	Ramona Kennerson, Port Arthur
Homebuilder (nonprofit) -	Stephan Fairfield, Covenant Builders, Houston
Financial institution -	Linda McMahon, Chase Bank, Dallas
TDHCA -	Shad Bogany, Board Member, Houston Realtor
Disaster relief organization -	Loye Kemp, Lutheran Social Services Disaster Response

The households to be served will be randomly selected by existing faith-based, non-profit or governmental organizations already working in Southeast Texas and recommended by members of the Southeast Texas Interfaith Organization (SETIO), one of the lead organizations for the disaster recovery effort in the region. The households must be families earning 80% or less of AMFI, as defined by HUD, whose homes were destroyed by Hurricane Rita and are not

receiving any other housing assistance from the Department. The constructed homes will either be built on the lots owned by the families served or constructed off-site and moved onto the lots owned by the families served.

On May 10, 2007, the Board approved the 2007 Housing Trust Fund Plan, which included an allocation of approximately \$250,000 for the Texas Grow Homes Demonstration Program. As a partner in the initiative, the Department vetted a Request for Proposals to contract for management services through Department staff in the HOME, Purchasing, and Legal Divisions and the Texas Procurement and Support Services CATRAD (Contract Administration Team Review and Delegation) of the Texas Comptroller's Office. The final Grow HOME RFP was published in the *Texas Marketplace* on October 15, 2007 and also posted to the Department's website. Deadline for questions was October 29, 2007, however no questions were received by Department staff.

There was only one respondent to the RFP and staff has performed a review of the RFP submitted. The respondent, Covenant Community Capitol is a non-profit Community Development Financial Institution (CDFI) with ten years of experience working with Houston's low-income communities by providing technical expertise, development capacity and funding. Covenant has focused on the development, production and preservation of affordable housing in Houston's Fifth Ward.

Like other CDFIs, Covenant has the unique role of fostering both housing and economic development activities. Expressive of these dual roles, Covenant developed Lyon's Village, a mixed use development that includes 24 housing units with 8 commercial storefronts. In addition, Covenant's Executive Director serving as CEO of the Fifth Ward Community Redevelopment, has developed over 150 scattered site single family homes and six commercial facilities. Covenant is involved in asset building approaches to ending poverty such as the creating of Individual Development Accounts, helping to develop Houston's housing trust fund and assisting other non-profits such as the Houston Asset Building Coalition.

The response has met all the terms of the RFP, which was to be reviewed according to the following criteria:

Compensation and Fees	55%
Company Information	5%
Proposed Services	10%
Experience and Qualifications	25%
HUB Subcontracting Plan	5%

Since a final design proposal has not been selected by the Texas Grow Home competition, a detailed construction budget and list of costs and services are unavailable. Upon Board approval, the anticipated start date of the contract will be in February 2008, with an expected construction start date in April 2008 (see attached Texas Grow Home Design Competition announcement for timeline).

Recommendation

Staff recommends that the Board approve the selection of Covenant Community Capital to be the TDHCA management firm responsible for production oversight for the Texas Grow Homes Demonstration Program. Staff also requests approval to enter into contract negotiations with the selected firm to negotiate a detailed budget, list of services, and other terms upon final selection of the designs and determination of construction plans and specifications.

TEXAS GROW HOME HOUSING FOR HURRICANE VICTIMS 2007-2008 DESIGN COMPETITION

CALL FOR ENTRIES

REGISTRATION DEADLINE: October 31, 2007



Texas Society of Architects



Housing Texas



Texas Low Income Housing Information Service



Covenant Community Capital



Texas Department of Housing & Community Affairs

BACKGROUND

In 2005, Hurricane Katrina sent over 400,000 devastated people to Texas. Two months later, Hurricane Rita slammed into Southeast Texas, leaving rubble where tens of thousands of homes once stood. Almost two years later, families are still struggling to recover and rebuild.

Even prior to the 2005 hurricanes there was an acute shortage of safe, affordable housing in Texas. The state struggled to provide homeownership and rental opportunities to lower-income families earning less than \$30,000 (< \$14.42 per hour) and especially those earning \$18,000 or less (< \$8.65 per hour). Each year only a fraction of one percent of needy families in Texas receive any housing assistance from the state. The massive influx of evacuees into Texas after Katrina has produced an even greater need for affordable housing in Texas. More than 100,000 Katrina survivors remain in the state, and most of the 75,000 homes damaged or destroyed by Rita have not been rebuilt. As a result, we are experiencing an affordable housing crisis unlike any other in the wake of previous natural disasters. The vast majority of those uprooted by the hurricanes were among the poorest of the poor — most had no insurance and three-quarters had household incomes under \$30,000.

The limits of federal assistance to Texas hurricane victims are clear. Private insurance and government loans will help some homeowners rebuild, but the shortage of funds mean that only a few fortunate Texas homeowners can expect to receive the maximum of \$40,000 to rebuild their homes. The limited borrowing ability of the majority of the victims means they will not be able to afford to rebuild.

There is even less money to provide housing assistance to renters. Tenants whose homes were damaged or destroyed by Katrina and Rita will basically receive no housing assistance beyond temporary rent assistance.

There is a critical need to develop a program to build high-quality, affordable single family homes in large numbers in existing neighborhoods across Southeast Texas.

Innovative housing ideas have emerged in the wake of the hurricanes. Architects and New Urbanists offered the idea of the Katrina Cottage, a small house that can be used as an alternative to FEMA trailers to house disaster survivors temporarily. An ongoing FEMA-sponsored Katrina Cottage demonstration program, designed to test the viability of the concept, has disclosed some challenges to their development on a larger scale.

First, the demonstration has shown that the cost to build or buy these cottages can be significant (\$65,000-\$85,000). Second, the failure to make provisions to assist the occupants to turn the cottages into larger, more livable, permanent homes has generated opposition to allowing the construction of the cottages in a number of communities. Third, as the demonstration program is being implemented in Texas, it has become clear that the architectural style of the initial Creole-style Katrina Cottage is incompatible with many Texas neighborhoods and rural communities devastated by Rita.

The Texas Grow Home design competition seeks cottage designs of a size and style to provide a permanent, affordable housing solution capable of rapid development in the wake of a disaster, one that is architecturally appropriate to be used in existing lower-income Texas Gulf Coast neighborhoods. The competition will design a two-bedroom, one-bath house, somewhat larger than the Katrina Cottage, that can serve as a permanent, conventional home for an elderly household or other small family. This base module will be designed to easily accommodate a planned addition that, when added to the core module, will expand the house to a traditional three-bedroom, two-bath home.

In planning how to meet the needs of current and future disaster victims, we must understand that the problems generated by the hurricanes will not simply disappear over time, nor will this be the last time Texas will be confronted by a crisis in housing the poor, either as the result of natural disaster or economic conditions ... or both.

The three Texas Grow Home winning designs from this competition will provide the basis for a new state housing initiative that will, hopefully, provide thousands of well-designed, well-built, affordable homes to those most desperately in need.

The project will be coordinated by Housing Texas, the Texas Low Income Housing Information Service and Covenant Community Capital; the design competition sponsored by the Texas Society of Architects; and mortgage financing provided by the Texas Department of Housing & Community Affairs.

Housing Texas is an *ad hoc* coalition of industry, nonprofit, religious, consumer, and financial organizations from all parts of Texas working together to build public support for safe, affordable homes in Texas.

Texas Low Income Housing Information Service is a nonprofit 501(c)(3) corporation established by a concerned group of community leaders, nonprofit, public and private housing providers and low-income people to work toward the goal that all Texans have a decent home in a quality neighborhood.

Covenant Community Capital Corporation, founded in 1998, is a nonprofit faith-based organization in Houston that seeks to enhance the beauty, safety, and economic vitality of low-income communities by increasing their capacity to develop affordable housing, grow business enterprises, and build family and community assets.

The Texas Society of Architects is the regional state component of the American Institute of Architects (AIA) in Texas. Founded in 1939, TSA is headquartered in Austin, representing and working through 17 AIA local chapters. The Society's mission is to be the voice of the architectural profession in Texas, uniting AIA members in advancing the profession in service to society, and to improve the built environment.

OBJECTIVE

The intent of this competition is to develop an attractive, expandable, modular, highly affordable single-family housing prototype that can be fabricated quickly and in large quantities in response to both natural disasters and the continuing affordable housing shortage in Texas.

The purpose of the competition is to select three single-family housing designs. The winning designs will be the basis for the production of full plans and specifications for the construction of the prototype homes. Two of the core module prototypes (two bedrooms and one bathroom) will be built as individual homes and one core module with the additional one bedroom and bathroom module will also be constructed.

The house modules will be built using voluntary or contracted labor, publicly exhibited and installed permanently on lots in Southeast Texas where the original homes were destroyed

by Hurricane Rita. The homes will be sold with interest-free mortgage loans provided by the Texas Department of Housing & Community Affairs to low-income families whose homes were destroyed by the hurricane.

PROGRAM

The complete (two module) affordable house is limited to approximately 1,100 SF. The core module is to contain a living area, kitchen area, two bedrooms and one bathroom. The core module (which may consist of one or more component parts) should be able to stand alone. The core module also will have the ability to connect to a second module (comprised of one or more component parts) providing one additional bedroom and one bathroom. The design of the core module will be submitted with two minor variations, thereby adding variety to neighborhoods in which the houses are located.

The total cost of construction (excluding the foundation) must not exceed \$54,000 for the core module and \$23,000 for the add-on module. Designs that propose even lower construction costs while maintaining high-quality, durability, energy efficiency and architectural compatibility with existing traditional older neighborhoods will be given extra scoring consideration.

The proposed solution will be designed to be built off-site from an area impacted by a natural disaster, moved to a permanent location within the disaster region, and erected with minimal on-site labor.

The solution must be capable of industrialized modular fabrication. As such it must be transportable and when in traveling mode its components must conform to the limits of standard ground transportation with a maximum 13'-6" height, 14'-0" width and 80'-0" length.

CRITERIA FOR JUDGEMENT

The solution represents a better and innovative approach to housing; provides design and style for alternative housing that will have a positive social impact on the neighborhood and community and the evolution of neighborhood and community social structures; meets the budget, fabrication and transportation requirements stated in the program description.

The solution represents a safe housing solution; responsive to energy efficiency and respectful of the community and regional context; incorporation of sustainable design strategies; responds to known hazards of the area, including riverine, coastal flooding and hurricanes; complies with state and local ordinances; complies with 2003 International Residential Code and the Texas Revisions, as well as with HUD and state codes for industrialized housing and applicable installation standards.

The solution can be delivered in an expedient matter; meets the timeliness and habitability needs of disaster victims for use

as a permanent housing solution; the proposed solution will be able to be produced and delivered in quantity for a sustained period of time; the simplicity of the building approach and the ability of the design to be easily and rapidly fabricated by low-skilled owner-builders and volunteers.

The housing solution should address the desires of area home owners surveyed by the competition sponsors, which include (but are not limited to) porches, an option to make the home accessible, adequate storage space, high ceilings, ample-size master bedroom, ample living/family room area, no carpet. The house should respond to its surrounding context while enhancing the area and being sensitive to the community and the cultural expectations of the low-income homeowners.

ELIGIBILITY

A \$20 registration fee is required for each submittal.

All registered Texas architects are invited to enter this competition as individuals and/or teams.

Each pair of boards submitted must focus on one design only; however, individuals or teams may submit more than one entry.

SUBMITTAL REQUIREMENTS

Each submittal should be made on two 20" x 20" x 3/16" foam-core boards. The boards will be displayed side by side so they should be marked "left" and "right" on the back of each board as appropriate. Boards must not be framed or otherwise encumbered with metal, wood, glass, plastic or similar materials. While images of models may be included on the boards, actual models are not eligible. Boards might be damaged in transit or otherwise and the competition sponsors are unable to accept liability for such damage. Do NOT include irreplaceable elements on the boards.

The boards must include a maximum 200-word description (10-point minimum text size) explaining your alternative housing solution. It should include the following key project data: a brief description of the design solution; a description of the sustainable design elements; the construction type [materials]; method of transportation to site; and the process of setting the house on the site (if different from standard industrialized modular housing transportation and set-up).

The boards must visually describe the design solution. They must include relevant plans, sections, elevations and details to a specified scale, including two elevations of each of the two required variations.

In addition to the two boards, entries should include an outline specification. The outline specification should be a maximum of four pages of 8.5" x 11' paper.

The outline specifications should include information about manufacturers, materials, manufactured units, equipment, components and accessories. They should also include descriptions of the material mixes, fabrications and finishes.

There should be no names, logos or other information on the boards and other papers that identify the designer(s) or your office. No text on the board or papers may be smaller than 10-point type.

A CD with a screen-resolution PDF and high-resolution (300 dpi), full-scale graphic files of both boards, as well as the statement and outline specifications as a text file, must be attached to the back of a board.

In addition, a sealed envelope must be attached to the rear of the right side board (upper left corner) containing a completed copy of the Entry Form. On the outside of the envelope and on the upper right corner of the back of the board, write only the name of the project.

Competition material submitted by entrants will become the property of Texas Low Income Housing Information Service which reserves the right to reproduce any or all of the entries, in whole or in part in publications and a website describing the competition. Publications and website will credit the designs to the architect, provide contact information for the architect and will note that the designs are the property of the architect.

JURY

The entries will be judged by a panel of jurors including potential homeowners, state and local public officials, local nonprofit housing relief organizations, realtors, affordable housing experts and architects. The names of the jurors will be published on the competition website prior to the submittal deadline.

AWARDS

The jury will select three designs. The winners will be awarded \$3,000 for their design and an additional \$5,000 to be used for the production of construction documents including framing plans. (Any structure below the floor framing will be the responsibility of the competition sponsors and foundation engineers, hired by builders due to varying soil conditions of the lots).

The winning teams may elect to forgo the \$5,000 construction document stipend and have Housing Texas produce the documents through a third-party architect/engineer of Housing Texas' choosing.

Housing Texas and each winning architect agree to collaborate in the construction documents phase in order to produce a safe and economically buildable home. Should agreement to

modifications required by Housing Texas not be possible (as determined by Housing Texas), Housing Texas may withhold the \$5,000 construction document stipend and select a new winning design.

Housing Texas may elect to build the three prototype homes based on the final plans of one or more of the final winning designs.

EXHIBIT/PUBLICATION

Boards submitted will be exhibited in the Texas Capitol in Austin prior to the competition judging.

The boards will be published on the competition web site along with a summary of the jury proceedings. The winning entries may also be published in area newspapers and TSA publications.

A publication containing the winning and selected entries and information about the winning architects will be provided to nonprofit housing producers and community development corporations across Texas.

QUESTIONS

Questions should be directed to the competition sponsors through the e-mail address on the competition web site.

COMPETITION WEB SITE

www.texashousing.org/growhome/background.html

Entrants are advised to check the web site periodically for any announcements, changes and other updated information regarding the competition. The terms and schedule set forth in this brochure may be altered by notice on the web site.

IMPORTANT NOTICE

Teams and individuals are encouraged to enter.

Upon receipt of your completed application and entry fee, a conformation e-mail will be sent with an entry number to identify your team.

Competition materials submitted by entrants will become the property of the Texas Low Income Housing Information Service (TxLIHIS). Rights to build houses based on the design entries are retained by the entrant except for the construction of the prototype homes based on the winning designs. All submittals will be retained by TxLIHIS, which reserves the right

to reproduce any or all of the entries, in whole or in part, with attribution to the architect.

Signing the registration form by the entrant warrants that the material submitted by entrant is original work of the entrant, and is an acknowledgement of acceptance of the requirements, terms and conditions outlined in this brochure and the competition web site.

SCHEDULE (subject to change)

September 1, 2007

- Announcement of the competition
- Call for Entries (this document) available

October 31, 2007

- Registration deadline
- Submit a completed entry form (back page) and \$20 entry fee to:

Texas Grow Home Design Competition
Texas Low Income Housing Information Service
508 Powell Street
Austin, TX 78703-5122

January 4, 2008

- Submittals due by 4:00 p.m. at:

Texas Grow Home Design Competition
Texas Low Income Housing Information Service
508 Powell Street
Austin, TX 78703-5122
(512) 477-8910

A completed entry form must be enclosed in an envelope taped securely to the back of the right side board.

January, 2008

- Submittals displayed at Texas Capitol and Beaumont

January 4-9, 2008

- Competition judging

January 10, 2008

- Competition winners announced at Texas Department of Housing and Community Affairs board meeting at Texas Capitol

January 11 - March 16, 2008

- Modifications made, construction documents prepared, construction services secured

March 17 - June 13, 2008

- Construction of homes

June 14 - June 19, 2008

- Public exhibition of homes

June 20, 2008

- New homeowners move in

NEIGHBORHOOD CONTEXT

The photos on this page establish the neighborhood context for the location of the homes. This neighborhood, in Port Arthur, Texas was heavily damaged by Hurricane Rita and is where some of the prototype homes built through the competition will be located.





Texas Low Income Housing Information Service
 508 Powell St
 Austin, TX 78703-5122

Announcement:
Texas Architectural Design Competition
Housing For Hurricane Victims

T E X A S G R O W H O M E
HOUSING FOR HURRICANE VICTIMS
2007-2008 DESIGN COMPETITION
REGISTRATION FORM

Team members _____

Team leader/contact _____
 Texas address _____

 Phone _____
 E-mail _____

TBAE Texas registration # _____ Date _____

Competition fee is \$20 per entry. Please make your check payable to:

Texas Low Income Housing Information Service

Please send your completed registration form and check by 10/31 to:

Texas Low Income Housing Information Service
 508 Powell St
 Austin, TX 78703-5122

Signature _____ Date _____

SPONSORS



Texas Society of Architects



Housing Texas



Texas Low Income Housing Information Service



Covenant Community Capital



Texas Department of Housing & Community Affairs

Teams and individuals are encouraged to enter. Please review the Call for Entries brochure and the competition web site (www.texashousing.org/growhome/background.html) for more information and eligibility requirements. Upon receipt of your completed application and entry fee, a conformation e-mail will be sent with an entry number to identify your team. Competition materials submitted by entrants will become the property of the Texas Low Income Housing Information Service (TxLIHIS). TxLIHIS reserves the right to reproduce any or all of the entries, in whole or in part in publications and a website describing the competition. Publications and website will credit the designs to the architect, provide contact information for the architect and will note that the designs are the property of the architect. Signing the registration form by the entrant warrants that the material submitted by entrant is original work of the entrant, and is an acknowledgement of acceptance of the requirements, terms and conditions outlined in the Call for Entries brochure and the web site.

- 10/31 registration deadline
- 1/4 competition deadline
- 1/10 winners announced
- 3/17 construction begins

Housing Resource Center

BOARD ACTION REQUEST

December 20, 2007

Action Items

2008 State of Texas Final Consolidated Plan: One-Year Action Plan (Action Plan)

Required Action

Approval of the *Action Plan*

- See Attachment A for Public Comment on the *Action Plan*.
- See Attachment B for a Final Version of the *Action Plan*.

Background

The Texas Department of Housing and Community Affairs, Office of Rural Community Affairs, and Department of State Health Services have prepared the *Action Plan* in accordance with 24 CFR §91.320.

The *Action Plan* reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year 2008. The Program Year begins on February 1, 2008, and ends on January 31, 2009. The *Action Plan* covers the State's administration of the Community Development Block Grant Program, Emergency Shelter Grants Program, the HOME Investment Partnerships Program, and the Housing Opportunities for Persons with AIDS Program. The *Action Plan* also illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the *2005-2009 State of Texas Consolidated Plan*.

The *Action Plan* was made available for public comment from September 10, 2007, through October 10, 2007. Public hearings were held at six locations across the state - Austin, Dallas, El Paso, Brownsville, Lubbock and Houston. There were 49 persons in attendance at these meetings. Written comment was also accepted at the public hearings and by mail, fax, or email. The *Action Plan* is due to HUD on December 21st, 2007.

Updates from the *Draft Action Plan* to the TDHCA sections are indicated by blackline in the attached document. These changes include updated information on public comment; updated Regional Allocation Formula figures and housing resource data; changes to the ESG special initiatives project; and updated data on homelessness resources. To the extent changes are made by the Board relating to the HOME Program rules that may impact some portion of this plan, the plan will be revised accordingly to ensure consistency with the rules.

Recommendation

Approval of the *Action Plan*.

Attachment A

Public Comment on the *Action Plan*

The *Action Plan* was made available for public comment from September 10, 2007, through October 10, 2007. Public hearings were held at six locations across the state - Austin, Dallas, El Paso, Brownsville, Lubbock and Houston. There were 49 persons in attendance at these meetings. Written comment was also accepted at the public hearings and by mail, fax, or email.

No public comment was received on the *Action Plan* during the September to October 2007 public comment period.

Attachment B
Final Version of the *Action Plan*

2008 State of Texas Consolidated Plan One-Year Action Plan



December 2007

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2008 State of Texas Consolidated Plan One-Year Action Plan

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INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS) have completed the *2008 State of Texas Consolidated Plan One-Year Action Plan* (“the Plan”) in accordance with 24 CFR §91.320. When the combined actions of TDHCA, ORCA, and DSHS are referenced in the Plan, the organizations are collectively referred to as “the State.”

The Plan reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2008. The Program Year begins on February 1, 2008, and ends on January 31, 2009. The performance report on PY 2007 funds will be available in May 2008. The Plan covers the State’s administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

The Plan illustrates the State’s strategies in addressing the priority needs and specific goals and objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Plan consists of the following sections:

- Executive Summary. Provides a detailed synopsis of the One-Year Action Plan.
- General Information. A description of the State’s plan to undertake other activities that fulfill requirements of §91.320 (i) and (j).
- Action Plans. Program-specific plans for HOME, ESG, CDBG, and HOPWA illustrating funding guidelines and fund allocations as required under 24 CFR §91.320 (g).
- Form Applications and Certifications. Contains Standard Form 424, the application for federal resources, as well as HUD required certifications.

EXECUTIVE SUMMARY

The 2008 One-Year Action Plan illustrates the combined actions of the Texas Department of Housing and Community Affairs (TDHCA), Office of Rural Community Affairs (ORCA) and Department of State Health Services (DSHS), referred to collectively as “the State.” In particular, this action plan addresses the priority needs and specific objectives identified in the *2005-2009 State of Texas Consolidated Plan*. The Consolidated Plan covers the State’s administration of the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants Program (ESG), Community Development Block Grant Program (CDBG), and the Housing Opportunities for Persons with AIDS Program (HOPWA).

Objectives and Outcomes

The 2008 One-Year Action Plan:

1. Reports on the intended use of funds received by the State of Texas from the US Department of Housing and Urban Development (HUD) for Program Year (PY) 2008
2. Explains the State’s method for distributing CDBG, ESG, HOME, and HOPWA program funds
3. Provides opportunity for public input on the development of the annual plan

The State’s progress in achieving the goals put forth in the One-Year Action Plan will be measured according to HUD guidelines (24 CFR 91.520) and outlined in the 2007 Annual Performance Report.

In accordance with the guidelines from HUD, the State complies with the new CPD Outcome Performance Measurement System. Program activities are categorized into the objectives and outcomes listed in the chart below.

	OUTCOME 1 Accessibility	OUTCOME 2 Affordability	OUTCOME 3 Sustainability
OBJECTIVE #1 Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility (SL-1)	Enhance Suitable Living Environment Through Improved/New Affordability (SL-2)	Enhance Suitable Living Environment Through Improved/New Sustainability (SL-3)
OBJECTIVE #2 Decent Housing	Create Decent Housing with Improved/New Availability (DH-1)	Create Decent Housing with Improved/New Affordability (DH-2)	Create Decent Housing with Improved/New Sustainability (DH-3)
OBJECTIVE #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility (EO-1)	Provide Economic Opportunity Through Improved/New Affordability (EO-2)	Provide Economic Opportunity Through Improved/New Sustainability (EO-3)

The objectives and outcomes as they apply to each of the four programs are listed below. The performance figures are based on actual performance during the Program Year (February 1st through January 31st) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on projected units

and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

HOME Program Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	Rental units assisted through new construction and rehabilitation	400
DH-2	Tenant-based rental assistance units	630
DH-2	Existing homeowners assisted through owner-occupied assistance	750
DH-2	First-time homeowners assisted through homebuyer assistance	560

ESG Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
SL-1	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.	80,000
DH-2	The provision of non-residential services including homelessness prevention assistance.	4,500

CDBG Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
SL-1	Neighborhood Facilities	1
SL-1	Water/Sewer Improvements	106
SL-2	Water/Sewer Improvements	42
SL-3	Water/Sewer Improvements	37
SL-1	Street Improvements	5
SL-2	Street Improvements	3
SL-3	Street Improvements	43
EO-3	Sidewalks	12
DH-1	Rehabilitation; Single Unit Residential	1
EO-1	ED Direct Financial Assistance for For-Profits	12
SL-1	ED Direct Financial Assistance for For-Profits	2

HOPWA Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	TBRA housing assistance	550
DH-2	STRMU housing assistance	700
DH-2	Supportive Services (restricted to case mgt., smoke detectors, and phone service)	1250
DH-1	Permanent Housing Placement (security deposits, application fees, credit checks)	20

Evaluation of Past Performance

The HOME Program committed \$54,343,328 with 2,142 total beneficiaries reported in PY 2006 (February 1, 2006, through January 31, 2007). Distribution of the funds by activity is described in the table below.

HOME Funds Committed, PY 2006

Activity	Amount
Homebuyer Assistance (all activities)	\$3,832,000
Owner Occupied Housing Assistance	\$34,828,144
Tenant Based Rental Assistance	1,470,643
CHDO Rental Development	\$8,372,552
CHDO Operating Expenses	\$216,000
Rental Housing Development	\$4,291,104
Rental Housing Preservation	\$1,332,885
Total	\$54,343,328

The ESG Program committed \$4,903,053 through 76 grants, with 122,784 total beneficiaries reported in PY 2006. Funds were used toward activities including renovation of buildings for use as emergency shelters, provision of essential services to the homeless, payment of operating costs of shelters, and development of homeless prevention services. The breakdown of the total funding is described in the table below.

ESG Funds Committed, PY 2006

Use of Funding	Amount
Funds Committed	\$4,822,849
Carry-In Funds Committed*	\$80,204
Total	\$4,903,053

*Carry-In represents the unexpended fund balance from the prior year's allocation

During Program Year 2006, the Texas CDBG Program committed a total of \$73,641,333 through 272 awarded contracts. For contracts that were awarded with PY 2006 funds, 540,140 persons received service. Distribution of the funds by activity is described in the table below.

CDBG Funds Committed, PY 2006

Fund	Program Description	2006 Total Obligation
Community Development	Provides grants on a competitive basis to address public facility and housing needs such as sewer, water system, road, and drainage improvements.	\$41,142,9166
Community Development Supplemental Fund	Allocates additional funds among the 24 state planning regions using a different allocation formula. Same application and purposes as the Community Development Fund.	3,188,445
Texas Capital Fund	Provides financing for projects that create and retain jobs primarily for low- and moderate-income persons.	11,285,400
Colonia Construction Fund	Provides grants for colonia projects; primarily water, sewer and housing.	5,250,000
Colonia EDAP Fund	Provides grants for colonias for the cost of service lines, service connections, and plumbing improvements associated with	3,500,000

Fund	Program Description	2006 Total Obligation
	being connected to a Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP)-funded water and sewer system improvement project.	
Colonia Planning Fund	Colonia Area Planning Fund – provides grants for preliminary surveys and site engineering, provides assistance towards the cost of architectural services, mortgage commitments, legal services, and obtaining construction loans. Colonia Comprehensive Planning Fund - provides assistance that is used to conduct a complete inventory of the colonias that includes demographic, housing, public facilities, public services, and land use statistics.	65,068
Colonia Self-Help Centers	Provides grant funds for the operation of seven Self-Help Centers in colonias.	389,784
Planning / Capacity Building	Provides grants on a competitive basis to communities for planning activities that address public facility and housing needs.	654,200
Disaster Relief/ Urgent Need	Provides grants to communities on an as-needed basis for recovery from disasters such as floods or tornadoes and Urgent water and sewer needs of recent origin that are unanticipated and pose a serious public safety or health hazard.	557,900
STEP Fund	Provides grants to cities and counties for solving water and sewer problems with a self-help approach that requires local participation through donated labor and materials.	6,591,104
Micro-Enterprise Loan Fund	Provides a tool for rural communities to assist their very small businesses (5 or fewer employees) access capital.	816,516
Small Business Loan Fund	Provides a tool for rural communities to assist their small businesses access capital by providing awards to eligible cities and counties for loans to businesses with 100 or fewer employees.	200,000
Total		\$73,641,333

The HOPWA Program expended \$2,170,257 through 28 project sponsors, with 2,457 beneficiaries of housing assistance reported in PY 2006. Funds were used toward tenant-based rental assistance and emergency assistance to prevent homelessness of low-income persons with HIV/AIDS. Distribution of the funds by activity is described in the table below.

HOPWA Program Expenditures, PY 2006

Eligible Activities	Amount
Expenditures for TBRA	\$1,503,888
Expenditures for STRMU	\$487,728
Expenditures for Supportive Services	\$178,641
Total	\$2,170,257

Consultation and Public Participation

The Action Plan ~~will be~~was made available for public comment from September 10, 2007, through October 10, 2007. Public hearings ~~will be~~were held at 6 locations across the state – Austin, Brownsville, Dallas, El Paso, Houston, and Lubbock – to allow citizens to respond and comment in a public forum. Written comment ~~will~~was also ~~be~~accepted at the public hearings, as well as by mail, fax, or email. Public notice of the draft comment period and the hearings ~~will be~~was made through an announcement in the *Texas Register*, on the TDHCA website, as well as e-mail notifications to members of the agency’s e-mail list. Individuals who require a language interpreter at the hearings ~~can~~were able to receive this assistance upon request.

~~Summary of public comment and the corresponding reasoned responses will be added to the “Summary of Public Comment” section of the final version of the Action Plan.~~

~~Within the “Summary of Public Comment” section of the Action Plan, Table A.1 will list the individuals and organizations that provide comment. This list will include the public and private agencies whose input (“consultation”) was incorporated into the plan, as required by 24 CFR Part 91.~~

~~Additionally, the draft version of the Plan includes summary of comment received at 4 public hearings held by ORCA specifically regarding the CDBG sections of the Plan~~

~~There was no public comment received during the September to October 2007 public comment period for the Action Plan. Public comment was collected by ORCA on the CDBG Action Plan prior to the public comment period.~~

GENERAL INFORMATION

The following section outlines the State's strategies in regard to eight categories of required actions. These categories include Citizen Participation, Institutional Structure, Available Resources, Meeting Underserved Needs, Poverty Level Households, Needs of Public Housing, Monitoring, and Lead-Based Paint Initiatives.

CITIZEN PARTICIPATION

SUMMARY OF CITIZEN PARTICIPATION PROCESS

The Action Plan ~~will be~~ was made available for a 30-day public comment period from September 10, 2007, through October 10, 2007. In addition, public hearings ~~will be~~ were held at 6 locations across the state: Austin, Brownsville, Dallas, El Paso, Houston, and Lubbock. Written comment ~~will be~~ was also accepted at the public hearings and by mail, fax, or email.

The notification process for the 6 public hearings includes the following: a notice in the *Texas Register*, a TDHCA website posting; email to TDHCA email lists including over 3,000 cities, counties, developers, non-profit organizations, legislative contacts, advocacy groups, subcontractors, and other interested parties. Spanish speaking staff ~~will be~~ was in attendance at the hearings in El Paso and Brownsville to assist individuals who require a language interpreter. Persons with needs for interpretation of other languages or individuals at the other hearing locations ~~can be~~ were able to receive this assistance upon request.

A summary of the comments and the Staff's reasoned responses will be provided below in Part A, "Consolidated Plan Hearings." ~~The individuals and organizations that provide comment will be enumerated in the Commenter List at the end of this section.~~

ORCA held meetings between April 27, 2007 and May 3, 2007 to solicit public input on the CDBG-related portion of the Consolidated Plan. These hearings were held in 4 cities across the state: Austin, Crockett, Mathis and Lamesa. ORCA received comments, and this input was considered in the production of the draft version of the plan that was available for public comment as part of the Consolidated Plan hearings. A summary of these comments is provided below in Part B, "ORCA CDBG Action Plan Hearings."

SUMMARY OF PUBLIC COMMENT

A. Consolidated Plan Hearings

~~Summary of public comment and the State's responses will be included here in the final version of the Plan. There was no public comment received on the Action Plan during the public comment period.~~

B. ORCA CDBG 2008 Action Plan Hearings

Public Hearing, Austin, TX, April 27, 2007:

Russel Smith, President, Texas Renewable Energy Industries Association (TREIA)

Mr. Smith came to the Austin public hearing and strongly supports the Renewable Energy Demonstration Pilot Program. Many of the renewable energy companies who belong to TREIA might be consultants/contractors for local governments that obtain funding through the pilot project.

Patrick Van Heran, President, Sunergie Inc.

Mr. Heran's company is working with several Texas communities, including Brady, Hondo, Gatesville and Gonzalez, on an ambitious renewable energy project. He supports ORCA's proposed new Renewable Energy Demonstration Pilot Program. This project involves cutting down mesquite and cedar on ranch land and transporting it into local towns for conversion to thermal energy for industrial facilities with large heat demands in these towns, including prisons. The waste product from burning the mesquite and cedar would be transported back to the ranchland and used as compost to build up the soil and enable local ranchers to raise more head per acre and to graze calves longer before they go to slaughter.

=====
Public Hearing, Crockett, TX, April 30, 2007

STEP:

1. A suggestion was made to consider increasing the contract period from two years to three years. The primary reason cited was the challenge of administering this type of contract that relies heavily on self-help, local participation, and/or donated labor.
2. The issue of insurance and liability (both personal and property) was raised. The group indicated that although most grantees have volunteers sign a liability waiver, they questioned if this practice is legally binding.
3. A question was raised about the proposed change in the "Eligible Activities" section. The change from "equipment for installation of water and sewer if justification is provided" to "rental of equipment for installation of water and sewer if justification is provided" appears unclear. The group suggested that this activity include procurement or rental of equipment.
4. The group asked for consideration for some type of "baseline funding" for costing out STEP administrative activities instead of the current relatively low percentage of contract funds set aside for this budget category. Compared to Community Development projects, the group felt that successful STEP projects require a much higher level of support and involvement from the community administrators or contract consultants.
5. It was suggested that the labor force devoted to STEP projects be expanded to include both volunteer labor and force account labor.

6. The group asked that grantees be given more latitude in documenting volunteer labor activities. They felt it was difficult to maintain accurate, detailed records down to the level of documenting each volunteer's time sheet and their specific activity performed.

Renewable Energy Demonstration Pilot Program:

1. Opposed this new program as a stand alone program. They felt that deobligated funds returned to the CD program would be of more benefit to needy communities that did not get funded in the highly competitive CD program where funds are already limited.

2. Renewable Energy program - provide a clear definition of what constitutes renewable energy. They also suggested that energy conservation projects could be included in this program.

=====

Public Hearing, Mathis, TX, May 1, 2007

**Karen Kibbe,
Managing Partner,
Raymond K. Vann & Associates, LLC**

- Ineligible Activities. Was it an ORCA or HUD decision to not include televising/video taping line work or other investigative method as ineligible?

Renewable Energy Demonstration Pilot Program: does not favor use of limited funds for this project.

=====

Public Hearing, Lamesa, TX, May 3, 2007

**Chris Sharpe
Panhandle Regional Planning Commission (COG) staff**

- Some Panhandle Regional Planning Commission RRC members appointed by the governors' office were never notified that they had been appointed to the RRC. Asked who is responsible in notifying RRC members that they are part of the committee. PRPC appreciates and supports ORCA field offices.

=====

**Janet Claborn
City of Muleshoe**

- Ms. Claborn asked about opportunities for her community to apply for this funding. Several others at the Lamesa hearing also inquired about the project, including economic development corporation folks from Hereford, Floydada, Crosbyton and Levelland.

=====

Mike Duran
Vice President

Gary R. Traylor & Associates

- Concerning my comments regarding the RRC Committees: My concern is that ORCA reduced the RRC impact by not maintaining full Committee appointments. I realize that some RRC appointees did not fulfill their responsibility by not attending Scoring Meetings, however, some RRC's did not have full appointments. Therefore, in many cases, as few as 4 or 5 members' score made up an applicants score. With only a bare quorum of 7, when you take out the high and the low score, that leaves 5 scores, and if you have a conflict of interest that number is reduced even more. I believe this is a problem that must be addressed in the future.

=====

Fred Vera
City Manager, Lamesa

- Competition between larger rural communities not competitive with other smaller rural communities. The City of Lamesa has applied in the last 3-4 years and has not received an award. The competition is not fair. Smaller communities score better than mid-size cities. Some smaller cities have not raised their water rates etc. Need a three (3) tier competition between smaller communities competing with other smaller communities and mid-size cities competing with other mid-size cities with populations of 10 to 12,000.

Mary Baiza, private consultant, had a similar comment as Fred Vera.

Lower Colorado River Authority

Received two letters in support of the proposed ORCA renewable energy pilot project: one from Dan Kuehn, manager of LCRA wholesale power services, and one from Frank Morgan, manager of LCRA community services.

Texas Farm Bureau

Two emails in support of ORCA pilot project from Ned Meister, Director of Commodity and Regulatory Activities for Texas Farm Bureau. (Travis Brown, ORCA staff reports: the Texas Farm Bureau and the national Farm Bureau have been leaders in promoting the development of renewable energy as way for farmers and ranchers to develop new revenue streams and as an economic development tool for rural communities.)

Russel Smith, President, Texas Renewable Energy Industries Association (TREIA)

Russel also came to the Austin public hearing and spoke in support of the pilot project. Many of the renewable energy companies who belong to TREIA might be consultants/contractors for local governments that obtain funding through the pilot project.

Patrick Van Heran, President, Sunergie Inc.

Patrick came to the Austin public hearing on the action plan. He supports ORCA's proposed new Renewable Energy Demonstration Pilot Program. His company is working with several Texas communities, including Brady, Hondo, Gatesville and Gonzalez, on an ambitious renewable energy project. This project involves cutting down mesquite and cedar on ranch land and transporting it into local towns for conversion to thermal energy for industrial facilities with large heat demands in these towns, including prisons. The waste product from burning the mesquite and cedar would be transported back to the ranchland and used as compost to build up the soil and enable local ranchers to raise more head per acre and to graze calves longer before they go to slaughter.

Janet Claborn, City of Muleshoe

Janet attended the Lamesa public hearing on the action plan and asked about opportunities for her community to apply for this funding under the Renewable Energy Demonstration Pilot Program. Several others at the Lamesa hearing also inquired about the project, including economic development corporation folks from Hereford, Floydada, Crosbyton and Levelland. Janet followed up with a call to Travis Brown regarding details of the project. She and others are interested in funding to help with ethanol plants planned for their communities. They discussed a possible meeting with interested people in the Panhandle in the future.

Jim White, Kent County Judge

April 24, 2007 letter from Judge White in support of new Renewable Energy Demonstration Pilot Program.

Dr. Norman Goldman, West Texas landowner

April 25, 2007 letter from Dr. Goldman in support of new Renewable Energy Demonstration Pilot Program. He cited development of renewable energy resources in Texas as an overall benefit to all Texans.

Joe Cox, Director of Regional Services, North Texas Regional Planning Council

Joe emailed and later called Travis to inquire about the proposed Renewable Energy Demonstration Pilot Program. He said he has several cities in his region that might be good candidates for funding to put up small wind turbines to power wastewater treatment or water treatment plants.

Harley Davis, Cooper community

Harley called to discuss possible funding from the renewable energy pilot project to install solar panels on the Cooper community center to provide electricity for the center.

Kevin Smith, Southwest Renewable Energy Inc.

Kevin contacted ORCA staff about the proposed pilot project.

Jim Peeples, AHL-Tech, Inc.

Jim inquired about possible funding through the new renewable energy pilot project for his company's hybrid diesel locomotive project in East Texas.

Steve Kerbow

Kerbow and Associates Consulting

Recommends elimination of the Micro-enterprise Loan Fund, Small Business Loan Fund, and the Renewable Energy Demonstration Pilot Program and place these funds into the CD/CDS Fund.

Barbara S. Reeves

Director, Community Services

City of Alice

Asked about the source of funds for the Renewable Energy Demonstration Pilot Program based on the elimination of a footnote on page 23, asked why Goal 2 under the Performance Measures was eliminated, asked for the definition of efficiency, and asked why performance measures based on efficiency are needed.

INSTITUTIONAL STRUCTURE

Understanding that no single entity will be able to address the enormous needs of the State of Texas, ORCA, TDHCA, and DSHS support the formation of partnerships in the provision of housing, housing-related, and community development endeavors. Considering that the limited amount of financial resources available for affordable housing, community service, and community development activities can be a major obstacle for a single agency to try to address the needs of the state, partnering with other organizations, as well as fund layering and leveraging, helps to stretch those funds that are available.

ORCA, TDHCA, and DSHS are primarily pass-through funding agencies and distribute federal funds to local entities that in turn provide assistance to households. Because of this, the agencies work with many housing and community development partners, including consumer groups, community based organizations, neighborhood associations, community development corporations, councils of governments, community housing development organizations, community action agencies, real estate developers, social service providers, local lenders, investor-owned electric utilities, local government, nonprofits, faith-based organizations, property managers, state and local elected officials, and other state and federal agencies.

There are many benefits to these partnerships: risk and commitment are shared; the principle of reciprocity requires that local communities demonstrate an awareness of their needs and a willingness to participate actively in solving problems, therefore local communities play an active role in tailoring the project to their needs; partners are able to concentrate specifically on their area of expertise; and a greater variety of resources ensure a well targeted affordable product.

HOME AND ESG

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA/ADDI funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services.

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. At the time the Department monitors ESG subrecipients, coordination efforts are reviewed.

CDBG

CDBG funds are awarded to non-entitlement units of general local government thereby providing these communities with financial resources to respond to its community development needs. Such may include planning; constructing community facilities, infrastructure, and housing; and implementing economic development initiatives. Each applicant to the CDBG fund is required throughout its citizen participation process to inform local housing organizations of its intention to apply for CDBG funding through the CDBG and invite their input into the project selection process.

TxCDBG continues to coordinate with the Texas Department of Housing and Community Affairs, the Texas Department of Agriculture, the Texas Water Development Board, Annual State Agency Meeting on Rural Issues, and the 24 Regional Councils of Governments to further its mission and target beneficiaries of CDBG funds

through programs such as the Colonia Self-Help Centers, the Colonia Economically Distressed Areas Program, the Housing Tax Credit Program, and the Texas Capital Fund.

HOPWA

DSHS contracts with eight Administrative Agencies which contract directly with the Project Sponsors serving all 26 HSDAs in the state to administer the HOPWA program, as well as a range of other HIV health and social services, including the Ryan White and the State Services grants. This structure ensures the coordination of all agencies serving people with HIV/AIDS, avoids duplication, saves dollars, and provides the best possible coordination of services for people with HIV/AIDS in each local community.

HOPWA program information is made available to all HIV service agencies in the HSDA and a referral network is established for potential clients. DSHS HOPWA clients are linked through their case managers to a comprehensive network of medical care and supportive services for persons living with HIV/AIDS and their families, consisting of 64 local providers across the state. HOPWA Project Sponsors collaborate locally with these providers to ensure that clients receive the services they need to begin treatment and remain in care. Additionally, Project Sponsors collaborate with local housing authorities in their areas to ensure that HOPWA clients are referred to the housing programs and services that best fit their needs and circumstances. Most notable is collaboration of Project Sponsors with local Section 8 housing programs.

AVAILABLE RESOURCES

The Plan must describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan, in accordance with §91.315. Descriptions of the funding amounts for the specific HUD programs covered by this Plan are provided in each program's Action Plan section. The Plan must also describe resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The Plan must explain how Federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. A description of the match requirements of the HUD programs covered by this Plan are provided in each program's Action Plan section.

HOME PROGRAM

For the HOME Program, Section 2306.111(d) of the Texas Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions TDHCA uses for planning purposes. To mitigate any inherent inequities in the way these resources are regionally allocated, the RAF compares each region's level of need to its level of resources. Regional funding adjustments are made based on the results of this comparison. The following available resources were determined to have been available or distributed in FY 2007 in the areas eligible for TDHCA HOME funds.

Source	Funding Level*
Texas Housing Trust Fund	\$68,750,867,352
Housing Opportunities for Persons with HIV/AIDS	\$429,542
HUD PHA Capital Funds	\$33,357,362,200,371
HUD Housing Choice Vouchers (Sec. 8)	\$144,939,814,139,690,050
USDA Multifamily Development	\$6,702,950,565,687
USDA Rental Assistance	\$27,504,284,285,515,830
Housing Tax Credits	\$187,216,110,183,550,266
TXBRB Multifamily Tax Exempt Bond	\$76,756,620,919,340
Housing Tax Credits w/ MF Tax Exempt Bond	\$67,055,059,31,824,051
USDA Owner Occupied	\$39,719,206,38,824,561
TXBRB Single Family Bond	\$108,455,786,158,942,464
HUD HOME Investment Partnerships Program	\$38,265,885,23,831,296
Total	\$730,041,826,674,356,567

~~*2006 figures. Updated 2007 dollar amounts will be included in the final version of the Plan.~~

HOPWA

Leveraged funds are absolutely essential for the provision of HOPWA program administration and supportive services for HOPWA clients in the state of Texas. DSHS, AAs, and Project Sponsors expect to continue to receive leveraged funds from federal, state, local, and private resources to administer the HOPWA program and to achieve established program objectives for 2008. Based on leveraged funds received in 2006, DSHS estimates \$190,364 in federal and state funds to provide HOPWA administration at the state level. In 2006, AAs and Project Sponsors reported receiving \$134,989 for Project Sponsor administration, \$83,030 for TBRA, \$54,239 for STRMU assistance, and \$1,629,160 for supportive services in leveraged funds and anticipate similar levels of leveraged resources for 2008.

GENERAL INFORMATION ON OTHER PROGRAMS

TDHCA is required by State law to publish a *Program Guide* that outlines state and federal housing and housing-related programs available in Texas. The guide describes all TDHCA programs and includes housing-related programs from other state and federal agencies. This detailed document is organized by activity area and then by administering entity. For each specific program, contact information at the appropriate agency is provided. The 120-plus page document is updated annually and is currently available on line at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm> or in hard copy upon request.

MEETING UNDERSERVED NEEDS AND MITIGATING BARRIERS TO AFFORDABLE HOUSING

The State has identified various obstacles that may affect the ability to meet underserved needs in Texas. They include the lack of affordable housing, lack of organization capacity, lack of organizational outreach, local opposition to affordable housing, regulatory barriers to affordable housing, and area income characteristics (particularly in rural areas). The State takes actions to mitigate these obstacles such as effectively using existing resources to administer programs, providing information resources to individuals and local areas, and coordinating resources. The following outlines those specific actions proposed by the program areas to meet underserved needs and develop affordable housing.

HOME AND ESG

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance for the acquisition of affordable single family housing, and funding for rental housing development preservation of existing affordable or subsidized rental housing.

HOME funds may also be used in conjunction with the Housing Tax Credit Program to construct or rehabilitate affordable multifamily housing.

Regarding ESG, while TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. These funds meet the needs of local homeless populations.

CDBG

TxCDBG encourages affordable housing projects using several methods in the allocation of CDBG funds to the eligible communities that can participate in its programs, including favorable state scoring and regional prerogative to prioritize funding for housing infrastructure and rehabilitation. Each region is encouraged to set aside a percentage of the regional allocation for housing improvement projects, and housing applications are scored as high priority projects at the state level. Housing projects continue to be funded through the Colonia Self-Help Centers as well.

In addition, CDBG funding provides a cost savings for housing when CDBG funds are used to provide first-time water and wastewater services by installing water and sewer yardlines and paying impact and connection fees for qualifying residents. For PY 2008, the TxCDBG will make funds available through six different grant programs to provide water or sewer services on private property, with the vast majority being low and moderate income households.

The most commonly cited obstacle to meeting the underserved community development needs of Texas cities (aside from inadequate funding) is the limited administrative capacity of the small rural towns and counties the CDBG program serves. TxCDBG staff offers technical assistance to communities to promote successful CDBG projects.

CDBG funding also helps cities and counties study affordable housing conditions. The plans produced through a TxCDBG planning contracts provide both valuable data concerning a city's or county's affordable housing stock and planning tools for expanding their affordable housing. In PY 2008, TxCDBG will make funds available for

planning through the Planning and Capacity Building Fund, Colonia Comprehensive Planning Fund and Colonia Area Planning Fund.

The Colonia Self-Help Centers continue to address affordable housing needs in border counties by assisting qualifying colonia residents to finance, refinance, construct, improve or maintain a safe, suitable home in suitable areas.

Another obstacle to meeting underserved needs applies to colonias projects. There have been cases when a county applies to provide water service to an area, but more than one water supply corporation or city may have a Certificate of Convenience and Necessity (CCN) in that territory (CCNs have been issued which have overlapping territories). In these cases, a dispute over which water supply corporation/city has the right to serve the territory (and therefore collect the revenues) may arise. A public hearing process may be necessary to resolve this issue, which can then delay projects for months. TxCDBG will continue to work with regulatory agencies as appropriate to resolve issues in project areas in a timely manner.

HOPWA

The Texas HOPWA program continues to meet underserved needs in several ways.

As assessed regularly by Ryan White needs assessments in all HSDAs, housing needs are high among people living with HIV/AIDS. The Texas HOPWA program meets the needs of this underserved population throughout the state by providing essential housing and utilities assistance as part of a comprehensive medical and supportive services system. As a result, people living with HIV/AIDS and their families are able to maintain safe and affordable housing, reduce their risk of homelessness, and access medical care and supportive services.

In 2006, Project Sponsors reported a continuing need to serve eligible HIV-positive persons who have been incarcerated or need assistance paying security deposits to transition into affordable permanent housing. Security deposit payments continue to be a barrier to permanent housing for HOPWA clients and eligible individuals because security deposit assistance is not an eligible activity in the STRMU and TBRA programs. To address this need, DSHS implemented a new program activity in August 2007, Permanent Housing Placement, to further meet the needs of eligible HIV-positive persons to transition into permanent housing. The Permanent Housing Placement program allows Project Sponsors to provide assistance to HOPWA clients and eligible persons for reasonable security deposits and costs associated with application fees and credit checks.

In addition, DSHS is in the process of developing an updated funding allocation formula to address the changing needs of local communities and to maximize and target HOPWA funding to HSDAs that are in greatest need. DSHS will consider a variety of factors including but not exclusive to HIV/AIDS morbidity, poverty level, housing costs and needs, homelessness data, program waitlists, and program expenditures.

POVERTY-LEVEL HOUSEHOLDS

According to the 2000 US Census, Texas has the ninth highest poverty rate among the states: 15.4 percent compared to the national rate of 12.4 percent. The federal government defined the poverty threshold for 1999 as \$17,029 in income for a family of four, and many poor families make substantially less than this. Poverty can be self-perpetuating, creating barriers to education, employment, health, and financial stability.

ORCA, TDHCA, and DSHS have an important role in addressing Texas poverty. These agencies seek to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means trying to provide long-term solutions to the problems facing people in poverty and targeting resources to those with the greatest need.

HOME AND ESG

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed 24 months. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug dependency classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency.

The ESG Program funds activities that provide shelter and essential services for homeless persons, as well as intervention services for persons threatened with homelessness. Essential services for homeless persons include medical and psychological counseling, employment counseling, substance abuse treatment, transportation, and other services.

For individuals threatened with homelessness, homelessness prevention funds can be used for short-term subsidies to defray rent and utility arrearages for households receiving late notices, security deposits, and payments to prevent foreclosure.

CDBG

A substantial majority, 88%, of TxCDBG funds are obligated to cities and counties under the funding competitions meeting the national objective to “principally benefit low and moderate income persons.” TxCDBG encourages the funding of communities with a high percentage of persons in poverty through its application scoring. The CDBG projects under this national objective are required to serve 51 percent low to moderate income persons; however, an application receives full points only if a minimum of 60 percent of the project beneficiaries are of low to moderate income. In addition, the CDBG allocation formula used to distribute Community Development and the Community Development Supplemental funds among regions includes a variable for poverty. The percentage of persons in poverty for each region is factored into the allocation formula in order to target funding toward the greatest need.

The CDBG economic development funds have been instrumental in creating infrastructure and jobs. By creating and retaining jobs through assistance to businesses and then providing lower income people access to these jobs, TxCDBG can be a very effective anti-poverty tool. This potential will be further maximized by providing jobs that offer workplace training and education, fringe benefits, opportunities for promotion, and services such as child care. In addition, programs that improve infrastructure affords the opportunity to upgrade existing substandard housing (such as in the colonias) and build new affordable housing where none could exist before.

HOPWA

The DSHS HOPWA Program serves HIV positive persons based on income eligibility criteria of no more than 80 percent of the area median income with adjustments for family and household size, as determined by HUD income limits. With varying poverty levels and housing needs in each HSDA across the state, some Project Sponsors may set stricter local income limits to maximize and target HOPWA resources to those with very low-income or poverty-level income. While many of the HOPWA clients assisted may be at poverty-level, this is not a requirement under 24 CFR 574.3.

NEEDS OF PUBLIC HOUSING

The future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While the State of Texas does not have any direct or indirect jurisdiction over the management or operations of PHAs, it is important to maintain a relationship with these service providers.

HOME AND ESG

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. Furthermore, staff of PHAs, especially those receiving HOME funds and those with Section 8 Homeownership programs, are targeted by TDHCA's Texas Statewide Homebuyer Education Program for training to provide homebuyer education opportunities and self-sufficiency tools for PHA residents.

In addition to PHAs that have received HOME funds to provide homebuyer assistance in their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

PHA residents are eligible to receive assistance and services from ESG grantees.

In addition to HOME and ESG activities related to PHAs, TDHCA performs certifications of consistency with the State's Consolidated Plan. In 1999, TDHCA, as required by 24 CFR §903.15, started a certification process to ensure that the annual plans submitted by PHAs in an area without a local Consolidated Plan are consistent with the State of Texas's Consolidated Plan.

CDBG

Litigation concerning CDBG funding and public housing authorities, known as *Young v. Martinez*, focused attention and funds on these areas in the past. The State provided three funding set-asides to address Court-ordered activities under the Final Order and Decree for the litigation, obligating a total of \$13,664,753.18 for 62 *Young v. Martinez* Fund projects in PHA areas. To date, over \$13 million of that total has been requested for drawdown with approximately \$72,584 remaining to be requested in two open contracts. Although the litigation has been settled, TxCDBG continues to serve public housing areas through other funding categories as residents of PHAs qualify as low to moderate income beneficiaries for CDBG projects.

HOPWA

The HOPWA program administered by DSHS does not provide public housing assistance. However, Project Sponsors coordinate closely with local housing authorities for client referrals and to address local housing issues.

MONITORING

The State ensures compliance with program and comprehensive planning requirements through various compliance measures.

HOME AND ESG

TDHCA has established oversight and monitoring procedures within the TDHCA Portfolio Management and Compliance and Community Affairs divisions to ensure that activities are completed and funds are expended in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes. TDHCA's monitoring efforts are guided by both its responsibilities under the HOME and ESG programs and its affordable housing goals for the State of Texas. These monitoring efforts include the following:

- Identifying and tracking program and project results
- Identifying technical assistance needs of subrecipients
- Ensuring timely expenditure of funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals
- Ensuring quality workmanship in funded projects
- Long-term compliance

Identifying and Tracking Program and Project Results

HOME contract and project activities are tracked through the TDHCA Contract Database (CDB) system, including pending projects, funds drawn, and funds disbursed through the internet-based system, HUD's IDIS, and other reports generated as needed. The CDB provides information necessary to track the success of the program and identify process improvements and administrator training needs. IDIS tracks HOME Program data such as commitment and disbursement activities, the number of units developed, the number of families assisted, the ongoing expenditures of HOME funds, and beneficiary information.

Other resources utilized by TDHCA to track project results include an asset management division and loan servicing division. If either of these areas identifies problems, steps are taken to resolve the issue, including project workouts and oversight of reserve accounts. Real Estate Analysis, the division for underwriting economic feasibility pre-award, is also responsible for identification of high risk contracts, and is responsible for review of housing sponsored annual financial statements and other asset management functions during the affordability period.

ESG project and contract activities are tracked through TDHCA's website, which maintains an Oracle-based reports system. This system maintains funds drawn, funds expended, performance data, and other reports as needed. ESG data such as commitment and disbursement activities, number of persons assisted, ongoing expenditures, and program activities are also tracked through HUD's IDIS.

Identifying Technical Assistance Needs Subrecipients

Identification of technical assistance needs for HOME and ESG subrecipients is performed through analysis of administrator management practices, analysis of sources used by TDHCA to track technical assistance such as information captured in the Central Database, review of documentation submitted, desk reviews based on the requirements identified in the Compliance Supplement and State Affordable Housing Program requirements,

project completion progress, results of on-site audits and monitoring visits, and desk reviews conducted by Department staff.

Ensuring Timely Expenditure of Funds

TDHCA ensures adequate progress is made toward committing and expending HOME and ESG funds. Regular review of internal reports and data from IDIS is performed to assess progress of fund commitment and to ensure that all funds are committed by the expiration date of 24 months from the last day of the month in which HUD and TDHCA enter into an Agreement. Performance deadlines for spending and matching funds are reviewed on a quarterly basis to track expenditure totals. HOME set-aside requirements are also tracked. The Department has also added performance benchmarks as further incentive of timely expenditure of funds.

Documenting Compliance with Program Rules

Compliance with program rules is documented through contract administration and other formal monitoring processes. Staff document compliance issues as part of their ongoing contract management reviews and notify administrators of any noncompliance and required corrective action. On-site reviews, including physical onsite project site inspections of a representative sample of project sites, on-site reviews of client files, shelters, and the delivery of services are conducted with summarized reports identifying necessary corrective actions.

TDHCA has developed a set of standards for HOME administrators to follow to ensure that subcontractors and lower-tiered organizations entering into contractual agreements with administrators perform activities in accordance with contract provisions and applicable state and federal rules, regulations, policies, and related statutes.

TDHCA maintains a database to document an administrator's compliance history with rental housing developments. During the application process the compliance history is gathered, the database is researched, and input from all divisions within TDHCA is requested. If issues of material noncompliance are found, then the applicant is not eligible for future funding until the issues are resolved. The compliance history is considered by TDHCA's Board prior to finalizing awards.

Preventing Fraud and Abuse

TDHCA monitors for potential fraud and mismanagement of funds through the assistance of written agreements with HOME administrators and review of supporting documentation throughout the HOME contract period to ensure that activities are eligible, through information gathered from outside sources and Department staff, and through onsite monitoring visits of HOME and ESG subrecipients. If fraud or mismanagement of funds is found, sanctions are enforced and disallowed costs are refunded to TDHCA. Also, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

Identifying Innovative Tools and Techniques that Support Affordable Housing Goals

Staff identifies innovative tools and techniques to support affordable housing goals by attending trainings and conferences, maintaining contact with other state affordable housing agencies, and through the HUD internet listserv and HUD website.

Ensuring Quality in Funded Projects

Ensuring the administrator provides the committed product, amenities and compliance with accessibility requirements is a Departmental priority. Staff ensures the quality of workmanship in HOME-funded projects

through the inspection process. TDHCA staff, in conjunction with Manufactured Housing Inspectors conduct inspections to substantiate the quality of the work performed. Deficiencies and concerns are identified during an initial inspection, with corrective action required by construction completion. The clearance of a final inspection is required of all rental housing developments funded by the Department.

TDHCA staff has attended trainings and become familiar with the construction standards of Section 504, Rehabilitation Act of 1973. Manufactured Housing Inspection Staff assisting with conducting inspections have been given the necessary tools to thoroughly complete these inspections and are provided annual training by Department staff on the procedures, expectations, and accessibility requirements.

Other processes used to ensure quality workmanship have included plan reviews. With the 2006 commitments the Department will require plans to have architectural sign off on specifications, and confirm compliance with committed amenities and compliance with any accessibility requirements.

Long-Term Compliance

The PMC Division is responsible for long term monitoring of income eligibility and tenure of affordability for applicable HOME projects. In other cases where contracts require long-term oversight (such as land use restrictive covenants), reporting and enforcement procedures have been implemented.

The PMC division performs on-site monitoring visits in accordance with the requirements of the HOME Program and Department policies and procedures, as described in the Financing/Loan Agreements, Deed Restrictions, and Regulatory and Land Use Restriction Agreement. If a property participates in more than one housing program, the most restrictive monitoring procedure is followed.

Risk Management

HOME contracts are monitored based on a risk assessment model that is updated on an annual basis or more frequently if required. Some of the elements of the Risk Assessment Model may include the type of activity, existence of a construction component, Davis/Bacon requirements, results of previous on-site visits, status of the most recent monitoring report, amount funded, previous administrator experience, entity type, and Single Audit status. In addition to the results of the risk assessment survey, referrals from division staff are considered when determining in depth monitoring reviews or required technical assistance. An emphasis is placed on monitoring of contracts within the current draw period and contracts with projects in the affordability period as defined by HUD.

If complaints are received by TDHCA, they are considered a risk management element and will be reviewed in detail. Supplemental monitoring activities will be performed to ensure program compliance and detection of possible fraud or mismanagement.

The Risk Assessment Model is also implemented for ESG. Some of the elements of the Risk Assessment Model include the following: length of time since last on-site visit, results of last on-site visit, status of most recent monitoring report, timeliness of grant reporting, total amount funded during assessment period, total amount funded for all TDHCA contracts during assessment period, number of TDHCA contracts funded during assessment period, and Single Audit Status. In addition to the results of the risk assessment survey consideration is also given to recommendations made from other TDHCA divisions regarding performance with other TDHCA funded programs. All ESG subrecipients are monitored annually.

Sanctions

Based on the results of ongoing HOME monitoring, sanctions are imposed for noncompliance issues based on the severity of noncompliance, which may include delays in project set-ups, draw request processing, questioned/disallowed costs, suspension of the contract, or contract termination. When necessary, the Executive Director executes a referral to the State Auditor's Office for investigation of fraud as required by Section 321.022(a) of the Texas Government Code. Sanctions imposed affect future application requests and scoring. In addition, if fraud or mismanagement of funds is suspected, TDHCA will make referrals and work closely with HUD, the State Auditor's Office, the Inspector General, the Internal Revenue Service, and local law enforcement agencies as applicable.

The results of ongoing ESG monitoring will also determine if sanctions are imposed for noncompliance issues. Sanctions range from the use of the cost reimbursement method of payment, deobligation of funds, suspension of funds, and termination of the contract. TDHCA's legal staff is notified and referrals are made to the Attorney General's Office. Sanctions imposed affect the future consideration of ESG applications for funding.

CDBG

The monitoring function of the TxCDBG has four components: project implementation, contract management, audit, and monitoring compliance.

Project Implementation

Prior to the award of funds, each community is evaluated for compliance in prior contracts. The application scoring process at the state level includes a scoring factor for past performance on CDBG contracts. In addition, once a funding recommendation has been made the contract is routed through the Program Development, Compliance and Fiscal Operations Departments to verify that no outstanding issues in previously awarded contracts prevent the contract execution for the recommended award.

Contract Management

All open TxCDBG projects are assigned to a specific Regional Coordinator who is responsible for contract compliance and project management. All projects have formal contracts that include all federal and state requirements. Regional Coordinators monitor progress and compliance through formal reporting procedures. Program Specialists for Labor Standards and Environmental compliance also exist under the Project Management function. Additionally, all reimbursement requests require complete supporting documentation before payment is made.

Audit

The audit function is authorized by OMB A-133, which requires that governmental units and nonprofit organizations spending more than \$500,000 in either federal or state funds during their fiscal years ending after December 31, 2003, submit a copy of a Single Audit to the Agency. A Single Audit is required for desk review by ORCA regardless of whether there are findings noted in the audit pertaining to CDBG funds, since it is an additional monitoring tool used to evaluate the fiscal performance of grantees.

Monitoring Compliance

The on-site programmatic reviews are conducted on every CDBG contract prior to close-out to ensure the contractual obligations of each grant are met. The projects are considered available for review when 75 percent of the contracted funds have been drawn down, and for construction projects, when construction has been substantially completed. Interim monitoring reviews may be conducted as necessary.

The areas reviewed include procurement procedures paid with CDBG funds or with match dollars, accounting records including copies of cancelled checks, bank statements and general ledgers (source documentation is reviewed at the time of draw requests), equipment purchases and/or procurement for small purchases, on-site review of environmental records, review of any applicable construction contracts, file review of any applicable client files for rehabilitation services, review of labor standards and/or a review of local files if internal staff used for construction projects, and a review of documentation on hand pertaining to fair housing and civil rights policies.

In addition to the formal monitoring function described above, the staff of the Compliance Division communicates with the staff of the Community Development Division as needed to evaluate issues throughout the contract implementation phase of CDBG contracts in order to identify and possibly resolve contract issues prior to the monitoring phase of the project.

HOPWA

A team of 10 DSHS Field Operations consultants and managers monitor the AAs' HOPWA administration activities and the AAs monitor the Project Sponsors for HOPWA program compliance. This monitoring involves periodic site visits, technical assistance, and the submission of quarterly progress reports. Desk audits are conducted by the Contract Management Unit at the division level in DSHS. Additionally, fiscal audits are conducted as part of a centralized service of DSHS, the Contract Monitoring and Oversight Section, directly under the Chief Operations Officer.

Administrative Agencies and Project Sponsors are required to comply with HUD regulations, the DSHS Program Manual and their contractual Statement of Work. The DSHS HOPWA program manual is located at <http://www.dshs.state.tx.us/hivstd/fieldops/hopwa.shtm>. The HOPWA monitoring tool is located at http://www.dshs.state.tx.us/hivstd/fieldops/page_02/hopwa.doc. The HOPWA Statement of Work is located at http://www.dshs.state.tx.us/hivstd/funding/hopwa/HOPWA_Renewal.doc. Principles for fiscal administration are established by the Texas Uniform Grants Management Standards located at <http://www.governor.state.tx.us/divisions/stategrants/files/UGMS062004.doc>. The requirements for project monitoring are established by DSHS in the Administrative Agency Core Competencies document located at http://www.dshs.state.tx.us/hivstd/pops/pdf/pdf_administrative_duties_standards.pdf.

DSHS plans to distribute a revised HOPWA Program Manual that will provide improved program guidelines for quality HOPWA program implementation and compliance in August 2007. In turn, this will assist Project Sponsors to provide better HOPWA services for HOPWA clients and the local community. The revised program manual incorporates HUD technical assistance and program level input via a public comment period to assure local needs are addressed. The HOPWA monitoring tools will also be revised according to revised program activities and regulations. Additionally, DSHS will also implement an STRMU tracking tool to ensure all Project Sponsors are compliant with the 21-week maximum assistance statute for STRMU clients.

LEAD-BASED PAINT HAZARDS

The health risks posed by lead-based paint to young children are the most significant health issue facing the housing industry today. According to *The Prevalence of Lead-Based Paint in U.S. Housing* (Environmental Health Perspectives, October 2002), 38 million homes have conditions that are likely to expose families to unsafe levels of lead. These homes are disproportionately older housing stock typical to low income neighborhoods, and the potential for exposure increases as homeowners and landlords defer maintenance. This older housing stock is the target of rehabilitation efforts and is often the desired “starter home” of a family buying their first home.

HOME AND ESG

The HOME Program requires lead screening in housing built before 1978 for its Owner Occupied Rehabilitation Assistance Program. Rehabilitation activities fall into three categories: 1) Requirements for federal assistance up to and including \$5,000 per unit; 2) Requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit; and 3) Requirements for federal assistance over \$25,000 per unit.

Requirements for federal assistance up to and including \$5,000 per unit are: distribution of the pamphlet “Protect Your Family from Lead in Your Home” is required prior to renovation activities; notification within 15 days of lead hazard evaluation, reduction, and clearance must be provided; receipts for notification must be maintained in the administrator file; paint testing must be conducted to identify lead based paint on painted surfaces that will be disturbed or replaced or administrators may assume that lead based paint exist; administrators must repair all painted surfaces that will be disturbed during rehabilitation; if lead based paint is assumed or detected, safe work practices must be followed; and clearance is required only for the work area.

Requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit include all the requirements for federal assistance up to and including \$5,000 per unit and the following: a risk assessment must be conducted prior to rehabilitation to identify hazards in assisted units, in common areas that serve those units and exterior surfaces or administrators can assume lead based paint exist and; clearance is required for the completed unit, common areas which serve the units, and exterior surfaces where the hazard reduction took place.

Requirements for federal assistance over \$25,000 per unit included all the requirements for federal assistance from \$5,000 per unit up to and including \$25,000 per unit and the following: if during the required evaluations lead-based paint hazards are detected on interior surfaces of assisted units, on the common areas that serve those units or on exterior surfaces including soils, then abatement must be completed to permanently remove those hazards; and if lead based paint is detected during the risk assessment on exterior surfaces that are not disturbed by rehabilitation then interim controls may be completed instead of abatement.

For ESG, TDHCA evaluates and reduces lead-based paint hazards for conversion, renovation, or rehabilitation projects funded with ESG funds, and tracks work in these efforts as required by Chapter 58 of the Environmental Protection Act.

CDBG

The TxCDBG encourages the reduction of lead-based hazards through favorable scoring under its Community Development and Community Development Supplemental Funds for the replacement of lead fixtures and other lead hazards that are an imminent public health threat. In addition, lead-based paint mitigation is a common activity eligible under housing rehabilitation that is funded under the Colonia Construction Fund, Community Development and Community Development Supplemental Funds. Each contract awarded requires the sub-grantee to conform to Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)) and procedures established by the TxCDBG in response to the Act.

In accordance with CDBG state regulations and the Lead-Based Paint Poisoning Prevention Act, TxCDBG has adopted a policy to eliminate as far as practicable the hazards of lead poisoning due to the presence of lead-based paint in any existing housing assisted under the CDBG. In addition, this policy prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance. Abatement procedures should be included in the housing rehabilitation contract guidelines for each project and must appear in the approved work write-up documentation for all homes built prior to 1978 that will be rehabilitated, as outlined in the Housing Rehabilitation Manual.

HOPWA

DSHS requires Project Sponsors to give all HOPWA clients the lead-based paint pamphlet entitled “Protect Your Family from Lead in Your Home” (Environmental Protection Agency) during the intake process. The client's case record must include documentation that a copy of the pamphlet was given to the client.

For each HOPWA household, the case manager must certify the following:

If the structure was built prior to 1978, and there is a child under the age of six who will reside in the property, and the property has a defective paint surface inside or outside the structure, the property cannot be approved until the defective surface is repaired by at least scraping and painting the surface with two coats of non-lead based paint. Defective paint surface means: applicable surface on which paint is cracking, scaling, chipping, peeling or loose. If a child under age six residing in the HOPWA-assisted property has an Elevated Blood Lead Level, paint surfaces must be tested for lead-based paint. If lead is found present, the surface must be abated in accordance with 24 CFR Part 35.

HOUSING ACTION PLAN: HOME INVESTMENT PARTNERSHIPS PROGRAM

FEDERAL RESOURCES EXPECTED PY 2008

The purpose of the HOME Investment Partnerships (HOME) Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing. TDHCA provides technical assistance through application and implementation workshops to all recipients of HOME funds to ensure that all participants meet and follow the state implementation guidelines and federal regulations.

The State of Texas HOME Program is receiving approximately \$41,000,000 in HOME funds (not including possible \$700,000 of American Dream Downpayment Initiative (ADDI) funds¹) from HUD for PY 2008. The HOME Program also estimates approximately \$2.5 million in program income.

ALLOCATION OF PY 2008 FUNDS

TDHCA will use the following method for allocating funds:

Use of Funds	Estimated Available Funding	% of Total HOME Allocation
Administration Funds (10% of PY 2008) *	\$4,100,000	10%
CHDO Project Funds Set Aside (15% of PY 2008) **	\$6,150,000	15%
CHDO Operating Expenses Set Aside (5% of CHDO Set Aside) *	\$307,500	1%
State Mandated Funds for Contract for Deed Conversions *	\$2,000,000	5%
Housing Programs for Persons with Disabilities *	\$2,000,000	5%
Rental Housing Preservation Program	\$2,000,000	5%
Rental Housing Development Program	\$3,000,000	7%
General Funds for Single Family Activities	\$21,442,500	52%
Total PY 2008 HOME Allocation	\$41,000,000	100%
PY 2008 American Dream Downpayment Initiative (ADDI) Funds***	\$700,000***	—
Total Estimated Funding Available for Distribution	\$41,700,000	—

* The funding for these activities is not subject to the Regional Allocation Formula.

**\$1,000,000 will be reserved from this set-aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO-eligible activities. TDHCA may set aside 10% of the annual CHDO set-aside for Predevelopment Loans.

***Reauthorization of funds pending

¹The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003. The American Dream Downpayment Assistance Act authorizes up to \$200 million annually for fiscal years 2004 - 2007. As of this publication, the act is pending re-authorization, however, the Department will address the ADDI program through this document in anticipation of possible future funding.

The following targets will be used to distribute General Funds for Single Family Activities:

Activity	Funding Amount	% of Available Funding
Homebuyer Assistance	\$3,216,375	15%
Owner Occupied Housing Assistance	\$15,009,750	70%
Tenant Based Rental Assistance	\$3,216,375	15%
Total Estimated Funding Available for Distribution	\$21,442,500	100%

ESTIMATED PY 2008 BENEFICIARIES

Based on estimated PY 2007 program activity, TDHCA calculates that the number of PY 2008 beneficiaries assisted will be approximately 1,931 low, very low, or extremely low income households. On the basis of historical performance, TDHCA estimates that approximately 60 percent of those households will be minority households.

DEFINITIONS

Basic Access Standards (as required by §2306.514, Texas Government Code): These requirements apply only to newly constructed single family housing.

- (1) at least one entrance door, whether located at the front, side, or back of the building:
 - (A) is on an accessible route served by a ramp or no-step entrance; and
 - (B) has at least a standard 36-inch door;
- (2) on the first floor of the building:
 - (A) each interior door is at least a standard 32-inch door, unless the door provides access only to a closet of less than 15 square feet in area;
 - (B) each hallway has a width of at least 36 inches and is level, with ramped or beveled changes at each door threshold;
 - (C) each bathroom wall is reinforced for potential installation of grab bars;
 - (D) each electrical panel, light switch, or thermostat is not higher than 48 inches above the floor; and
 - (E) each electrical plug or other receptacle is at least 15 inches above the floor; and
- (3) if the applicable building code or codes do not prescribe another location for the breaker boxes, each breaker box is located not higher than 48 inches above the floor inside the building on the first floor.

A person who builds single family affordable housing to which this section applies may obtain a waiver from TDHCA of the requirement described by Subsection (a)(1)(A) if the cost of grading the terrain to meet the requirement is prohibitively expensive.

Colonia: As defined in §2306.581, Texas Government Code:

- (1) "Colonia" means a geographic area that is located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:

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

(B) has the physical and economic characteristics of a colonia, as determined by the department.

Community Housing Development Organization (CHDO): A private nonprofit organization with a 501(c)(3) or (4) federal tax exemption. The CHDO must include providing decent, affordable housing to low income households as one of its purposes in its charter, articles of incorporation, or bylaws. It must serve a specific, delineated geographic area: Either a neighborhood, several neighborhoods, city, town, village, county, or contiguous multi-county area (but not the entire state). CHDOs are certified by TDHCA as eligible applications are awarded HOME CHDO funds.

Consortium: An organization of geographically contiguous units of general local government that act as a single unit of general local government for purposes of the HOME program.

Extremely Low Income Family: Family whose income is between 0 and 30 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

Low Income Family: Family whose income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

Non-Participating Jurisdiction: A state or unit of general local government that does not receive an annual allocation of HUD program funds and is not part of a HUD Consortium.

Participating Jurisdiction: A state or unit of general local government that receives an allocation of HOME Program funds directly from HUD.

Persons with Disabilities: A household composed of one or more persons, at least one of whom is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental, or emotional impairment that

- is expected to be of long-continued and indefinite duration,
- substantially impedes his or her ability to live independently, and
- is of such a nature that such ability could be improved by more suitable housing conditions.

Special Needs Populations: Includes the following: persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, the homeless, and migrant farmworkers.

Very Low Income Family: Family whose income does not exceed 50 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.

ELIGIBLE APPLICANTS

- Units of General Local Government
- Nonprofit and For-Profit Organizations
- Community Housing Development Organizations (CHDOs)
- Public Housing Authorities (PHAs)

ELIGIBLE SERVICE AREAS

Per Section 2306.111(c), TDHCA shall expend 95 percent of HOME funds for the benefit of non-PJ areas of the state. Five percent of HOME funds shall be expended for the benefit of persons with disabilities who live in any area of the state.

DESCRIPTION OF ACTIVITIES

OWNER-OCCUPIED HOUSING ASSISTANCE (OCC)

Rehabilitation or reconstruction cost assistance is provided to eligible homeowners for rehabilitation or reconstruction of their existing home. The home must be the principal residence of the homeowner.

At the completion of the assistance, all properties must meet the International Residential Code and local building codes. If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately \$15 million, which may only be used in non-PJs. This amount does not include any Housing Program for Persons with Disabilities OCC funding that may be issued under a separate NOFA.

TENANT-BASED RENTAL ASSISTANCE (TBRA)

Rental subsidy and security and utility deposit assistance is provided to tenants, in accordance with written tenant selection policies, for a period not to exceed 24 months.

The available funding for this activity is approximately \$3.2 million, which may only be used in non-PJs. This amount does not include any Housing Program for Persons with Disabilities TBRA funding that may be issued under a separate NOFA.

HOMEBUYER ASSISTANCE (HBA)

Down payment and closing cost assistance is provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition and rehabilitation costs associated with contract for deed conversions to serve colonia residents.
- Construction costs associated with the rehabilitation of a home purchased with HOME assistance.
- Acquisition or new construction costs for the replacement of manufactured housing.

Eligible first time homebuyers may receive up to \$10,000 for down payment and closing costs in the form of a 2nd or 3rd lien. Eligible homebuyers who meet the definition of persons with disabilities may receive loans up to \$15,000 for down payment and closing costs, regardless of the location of the property. Under the Contract for Deed program, assistance for the combined cost of deed conversion and rehabilitation cannot exceed HUD's 221(d)(3) limits per unit. HBA is an eligible HOME activity under the CHDO set-aside if the CHDO is the owner, sponsor or developer of the project. HBA loans are to be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the unit ceases to be the assisted homebuyer's principal residence. If any of these occur before the end of the loan term, the amount of recapture will be based on the pro-rata share of the remaining loan term and the shared net proceeds in the event of sale of the housing unit.

At the completion of the assistance, all properties must meet the International Residential Code or the Colonia Housing Standards, if located in a colonia, and local building codes. Compliance with the basic access standards in new construction, established by §2306.514, Texas Government Code, is also required for any applicants utilizing federal or state funds administered by TDHCA in the construction of single family homes.

The available funding for this activity is approximately \$3.2 million, which may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities HBA funding, which may be issued under a separate NOFA, nor does it include ADDI funds, which are only available upon reauthorization. HBA may also be awarded through the CHDO Set-Aside and the Contract for Deed Set-Aside.

RENTAL HOUSING DEVELOPMENT AND PRESERVATION

Awards for eligible applicants are to be used for the acquisition, construction, and rehabilitation of affordable multifamily rental housing.

TDHCA will not provide funding for the refinancing and/or acquisition of affordable housing developments that were constructed within the past 5 years. Eligible applicants include nonprofit organizations, CHDOs, units of general local government, for-profit entities, sole proprietors, and public housing authorities.

Owners are required to make housing units available to low, very low, and extremely low income families and must meet long-term rent restrictions. A standard underwriting review will be performed on applications under this activity. TDHCA generally make awards in form of a loan, however grants may be recommended to TDHCA's Board based on the underwriting review. Owners of rental units assisted with HOME funds must comply with initial and long-term income restrictions and keep the units affordable for a minimum period. Housing assisted with HOME funds must, upon completion, meet all applicable local, state, and federal construction standards and building codes. Additionally, the owner and/or all future owners of a HOME-assisted rental project must maintain all units in full compliance with local, state, and federal housing codes, which include, but are not limited to, the International Residential Code, Texas Government Code, and Section 504 of the 1973 Rehabilitation Act for the full required period of affordability.

The use of HOME Rental Housing Development funds will be limited to those allowable under 24 CFR Part 92. Eligible expenses and activities may further be limited by TDHCA in accordance with state legislation. Rental Housing Development funds may also be used for the acquisition and/or rehabilitation (including barrier removal activities) for the preservation of existing affordable or subsidized rental housing. Additionally, TDHCA will ensure that all multifamily rental housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC §1.15.

Approximately \$3 million is available for Rental Housing Development and approximately \$2 million is available for Rental Housing Preservation. Funding for these activities may only be used in non-PJs. This amount does not include the Housing Program for Persons with Disabilities Rental Development funding which may be issued under a separate NOFA.

ADMINISTRATIVE EXPENSES

This allowable cost is for the reimbursement of costs associated with the planning administration of the HOME Program. Up to 10 percent of the sum of the Fiscal Year HOME basic formula allocation may be set aside for HOME Administrative expenses. Up to 4 percent of the Administrative Expenses Set-Aside may be provided to applicants receiving HOME funds for the cost of administering the program. For-profit organizations are not eligible to receive administrative funds. TDHCA will retain the remaining 6 percent of the Administrative

Expenses Set-Aside to cover the internal cost of administering the statewide program. TDHCA may utilize these funds for construction and Section 504 inspection costs as needed.

AMERICAN DREAM DOWNPAYMENT INITIATIVE

The American Dream Downpayment Initiative (ADDI) was signed into law on December 16, 2003, and was created to help first time homebuyers with down payment and closing cost assistance. ADDI aims to increase the homeownership rate, especially among lower income and minority households, and revitalize and stabilize communities.

Under ADDI, the definition of a first time homebuyer is an individual and his or her spouse who have not owned a home during the three year period prior to the purchase of a home with assistance under the ADDI program. The term also includes displaced homemakers and single parents. The minimum amount of ADDI funds in combination with HOME funds that must be invested in a project is \$1,000. The amount of ADDI assistance provided to any family may not exceed the greater of six percent of the purchase price of a single family housing unit or \$10,000. This assistance is in the form of a second- or third-lien loan. In order to ensure the suitability of households receiving ADDI assistance, first time homebuyers will be required to participate in a homebuyer counseling course.

The American Dream Downpayment Assistance Act authorized up to \$200 million nationally annually for fiscal years 2004 – 2007 and is currently pending re-authorization for PY 2008. If re-authorized, approximately \$700,000 will be reserved for down payment assistance. These funds must be used in non-PJs. ADDI funding may, at the discretion of TDHCA, include funds for rehabilitation for first time homebuyers in conjunction with home purchases assisted with ADDI funds. The rehabilitation may not exceed 20 percent of the annual ADDI allocation. These funds are included in the 10 percent allocated for HBA.

TDHCA will continue to promote ADDI through the public hearings held in six cities across the state. Since PHAs are eligible applicants under the HOME Program, the initiative will be discussed in great detail at HOME Application Workshops held each spring. The program will also be promoted around the state through a Texas Association of Realtors continuing education course for which Department staff provide information. The course was designed to improve the state homeownership rate and to educate Realtors about the availability of affordable housing products.

Since Texas has a large number of manufactured housing units and manufactured housing dealers, questions from real estate agents always arise about the availability of low interest rate loan funds and the availability of down payment assistance. Through continuing education courses and outreach, TDHCA is able to inform real estate agents about how ADDI can assist manufactured housing buyers. In addition, TDHCA will work closely with the Manufactured Housing Division to create awareness of ADDI funds directly to eligible first time homebuyers.

TDHCA also operates a First Time Homebuyer Program hotline. Over 1,200 calls are received on average per month. Interested homebuyers are provided literature and made aware of the various products and programs available

CHDO SET-ASIDE

A minimum of 15 percent of the annual HOME allocation, approximately \$6,150,000 (plus \$307,500 in operating expenses) is reserved for CHDOs. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If the

CHDO owns the project in partnership, it or its wholly-owned for-profit or nonprofit subsidiary must be the managing general partner. These organizations can apply for multifamily rental housing acquisition, rehabilitation, or new construction, as well as for the acquisition, rehabilitation, or new construction of single family housing (through direct funding or loan guarantees). CHDOs can also apply for homebuyer assistance if their organization is the owner or developer of the single family housing project. These funds may only be used in non-PJs.

Once awarded, a CHDO development must remain controlled by a certified CHDO for the entire affordability term.

In accordance with 24 CFR 92.208, up to 5 percent of the State's CHDO Set-Aside may be used for operating expenses for CHDOs. In accordance with 92.300(a)(2)(f), A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent or \$50,000, whichever is greater, of the CHDOs total operating expenses in that fiscal year. TDHCA may award CHDO Operating Expenses in conjunction with the award of CHDO Development Funds, or through a separate application cycle not tied to a specific activity. In addition, TDHCA may elect to set aside up to 10 percent of funding for predevelopment loans funds, which may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Predevelopment loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, TDHCA may elect to waive predevelopment loan repayment, in whole or in part, if there are impediments to project development that TDHCA determines are reasonably beyond the control of the CHDO.

CONTRACT FOR DEED CONVERSIONS

The 80th Legislature passed Appropriations Rider 6 to TDHCA's appropriation, which requires TDHCA to spend no less than \$4 million for the biennium on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income (AMFI). Furthermore, TDHCA is targeted to convert no less than 200 contracts for deeds into traditional notes and deeds of trust. The intent of this program is to help colonia residents become property owners by converting their contracts for deeds into traditional mortgages. Households served under this initiative must not earn more than 60 percent of AMFI and the home converted must be their primary residence. The properties proposed for this initiative must be located in a colonia as identified by the Texas Water Development Board colonia list or meet TDHCA's definition of a colonia. These funds may only be used in non-PJs.

To help TDHCA meet this mandate, \$2,000,000 in PY 2008 HOME program funds will be targeted to assist households described under this initiative. These funds are a statutorily required set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

COLONIA MODEL SUBDIVISION LOAN PROGRAM SET-ASIDE

Per Subchapter GG of Chapter 2306, Texas Government Code, the intent of this program is to provide low-interest-rate or possible interest-free loans to promote the development of new, high-quality residential subdivisions or infill housing that provide alternatives to substandard colonias, and housing options affordable to individuals and families of extremely low and very low income who would otherwise move into substandard colonias. TDHCA will only make loans to CHDOs it has certified and for the types of activities and costs described under the previous section regarding CHDO Set-Aside. \$1,000,000 dollars will be targeted to assist households described under this initiative. These funds will not be subject to the Regional Allocation Formula. These funds may only be used in non-PJs.

These funds are a State mandated set-aside and are not subject to the Regional Allocation Formula, pursuant to §2306.111(d-1)(2) of the Texas Government Code.

HOUSING PROGRAMS FOR PERSONS WITH DISABILITIES

Approximately \$2 million of directed assistance for persons with disabilities will be issued under a separate NOFA or NOFAs including eligible activities for Rental Development, TBRA, and HBA with optional rehabilitation activities. This NOFA or NOFAs, separate from the regular HOME activity funding, will provide up to \$500,000 for Rental Development; \$1.5 million for TBRA and HBA with optional rehabilitation. This NOFA or NOFAs will indicate that the recipients of tenant based rental assistance must meet the Texas State definition used by the Promoting Independence Advisory Committee. Funding awards associated with tenant based rental assistance will allow up to 6 percent administration costs with no match requirement. Recognizing that there are additional costs associated with assisting persons with disabilities, this NOFA or NOFAs will include the potential to increase the maximum application amount above that of the general HBA with optional rehabilitation activity funding. Funding awards associated with HBA with optional rehabilitation will allow up to 6 percent administration costs with no match requirement. For the first 120 days, the funds will be awarded through a competitive application process within each activity. After 120 days, any funds remaining in the NOFA or NOFAs will be made available for Rental Development, TBRA, and HBA with optional rehabilitation on a non-competitive, first-come, first-served basis.

Within the requirements of 2306.111(c) of the Texas Government Code as described below, applications under the \$2 million NOFA or NOFAs may serve any area of the state. In its administration of federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC Section 12701 et. seq.), TDHCA shall expend 95 percent of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Cranston-Gonzalez National Affordable Housing Act directly from the United States Department of Housing and Urban Development. Five percent of these funds shall be expended for the benefit of persons with disabilities who live in any area of the state. Eligible applicants include nonprofits, for-profits, units of general local government, and public housing authorities with a documented history of working with special needs populations, or working in partnership with organizations with a documented history of working with special needs populations. The Department may include incentive points in one or more of these NOFAs to encourage a preference for recipients who will help to transition persons with disabilities from institutions.

TDHCA will ensure that all housing developments are built and managed in accordance with its Integrated Housing Rule, 10 TAC §1.15. In addition, funds for rental development may only be used to bring the units for persons with disabilities to be at 30 percent of Area Median Family Income or below.

Additionally, in accordance with 10 TAC §53, applicants applying for HOME funds under the Tenant-Based Rental Assistance programs should propose targeting at least 5 percent of the number of units proposed in the application for persons who meet the definition of persons with disabilities.

SPECIAL NEEDS POPULATIONS

Subject to the availability of qualified applications, TDHCA has a goal to allocate a minimum of 20 percent of the annual HOME allocation to applicants serving persons with special needs. Eligible applicants include nonprofits, for-profits, units of general local government, and PHAs with documented histories of working with special needs populations. All HOME Program activities will be included in attaining this goal. Additional scoring criteria may be established under each of the eligible activities to assist TDHCA in reaching its goal.

FUNDING DISTRIBUTION

Subject to Texas Government Code §2306.111, HOME funds will be distributed according to the established Regional Allocation Formula (RAF). The 2008 RAF distributes funding for the following activities:

- CHDO Project Funds,
- Rental Housing Preservation Program,
- Rental Housing Development Program,
- Single Family Activity Program.

Senate Bill 1908, passed during the 80th session of the Texas Legislature, affected changes to the allocation of HOME funds. Funds for the Housing Program for Persons with Disabilities are not regionally allocated and are therefore not factored into the formula below.

The table below shows the draft regional funding distribution for all of the activities distributed under the RAF, except for the ADDI funds, which will be distributed under the RAF if re-authorized by Congress. Targeted funding amounts for each activity will also be established using the percentages generated by the RAF.

2008 Targeted Distribution of Funds under the RAF

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$1,806,138 \$1,939,108	5.6% 6.1%	\$1,805,803 \$1,935,765	100.0% 100.0%	\$335,343 \$335,343	0.0% 0.0%
2	Abilene	\$1,185,677 \$1,446,684	3.7% 4.5%	\$1,160,586 \$1,409,901	97.9% 97.5%	\$25,091 \$36,783	2.1% 2.5%
3	Dallas/Fort Worth	\$5,659,827 \$5,685,382	17.7% 17.8%	\$1,737,644 \$1,478,648	30.7% 26.0%	\$3,922,182 \$4,206,734	69.3% 74.0%
4	Tyler	\$4,068,199 \$3,887,630	12.7% 12.1%	\$3,172,779 \$3,425,595	78.0% 88.0%	\$895,420 \$462,035	22.0% 11.9%
5	Beaumont	\$1,880,350 \$1,927,853	5.9% 6.0%	\$1,702,882 \$1,636,049	90.6% 84.9%	\$177,468 \$291,804	9.4% 15.1%
6	Houston	\$2,272,433 \$2,208,005	7.1% 6.9%	\$932,492 \$1,046,648	41.0% 47.4%	\$1,339,941 \$1,161,357	59.0% 52.6%
7	Austin/Round Rock	\$1,361,443 \$1,322,839	4.3% 4.1%	\$766,555 \$721,390	56.3% 54.5%	\$594,888 \$601,449	43.7% 45.5%
8	Waco	\$1,501,825 \$1,074,519	4.7% 3.4%	\$798,792 \$662,709	53.2% 61.7%	\$703,033 \$411,809	46.8% 38.3%
9	San Antonio	\$1,633,550 \$1,793,122	5.1% 5.6%	\$1,025,036 \$1,475,577	62.7% 82.3%	\$608,514 \$317,544	37.3% 17.7%
10	Corpus Christi	\$2,314,752 \$2,344,388	7.2% 7.3%	\$1,917,919 \$1,913,051	82.9% 81.6%	\$396,832 \$431,337	17.1% 18.4%
11	Brownsville/Harlingen	\$5,624,379 \$5,768,428	17.6% 18.0%	\$4,078,419 \$3,802,084	72.5% 65.9%	\$1,545,960 \$1,966,343	27.5% 34.1%
12	San Angelo	\$1,624,679 \$1,728,377	5.1% 5.4%	\$1,133,886 \$651,264	69.8% 37.7%	\$490,793 \$1,077,113	30.2% 62.3%
13	El Paso	\$1,066,747 \$876,665	3.3% 2.7%	\$592,177 \$563,250	55.5% 64.2%	\$474,570 \$313,415	44.5% 35.8%
	Total	\$32,000,000 \$32,000,000	100.0% 100.0%	\$20,824,970 \$20,721,932	65.1% 64.8%	\$11,175,030 \$11,278,068	34.9% 35.2%

TDHCA does not provide priorities for allocating investment geographically to areas of minority concentration as described in Section 91.320(d). However, the geographic distribution of HOME funds to minority populations is

analyzed annually. TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

REVIEW OF APPLICATIONS

All programs will be operating and announced by the release of either an open or competitive cycle Notice of Funding Availability. Applicants must submit a completed application to be considered for funding, along with an application fee determined by TDHCA and outlined in the NOFA and/or application guidelines. Applications containing false information and applications not received by the deadline will be terminated and notified in writing. All applications must be received by TDHCA by 5 pm on the date identified in the NOFA and/or application materials, regardless of method of delivery.

Applications received by TDHCA in response to an Open Application Cycle NOFA will be handled in the following manner. TDHCA will accept applications on an ongoing basis, until such date when it provides notice to the public that the Open Application Cycle has been closed. Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a “received date” based on the date and time it is physically received by TDHCA. Then, each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their “received date” unless they do not proceed into the next phase(s) for review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier “received date” but that did not timely complete a phase of review.

Applications received by TDHCA in response to a Competitive Application Cycle NOFA will be reviewed for threshold and scoring criteria in accordance with the rules for application review published in the NOFA and/or application materials.

SELECTION PROCESS

All applications for funds are reviewed for threshold requirements regarding application documentation and compliance with Department requirements on previously awarded contracts. Qualifying applications are funded only if the score meets or exceeds the minimum threshold score established in the State of Texas HOME Program Rules. Applications may be recommended up to the limit of funds available per activity and region. Applications submitted for development activities will also receive a review for financial feasibility and underwriting. Applications will be reviewed and recommended for funding in the manner prescribed in the State of Texas HOME Program Rules. In any of the activities, the Department may integrate incentive points for applicants to further meet the needs of persons with disabilities.

MATCH REQUIREMENTS

TDHCA will provide matching contributions from several sources for HOME funds drawn down from the State’s HOME Investment Trust Funds Treasury account within the fiscal year. The State sources include the following:

- Loans originated from the proceeds of single family mortgage revenue bonds issued by the State. TDHCA will apply no more than 25 percent of bond proceeds to meet its annual match requirement.
- Match contributions from the State’s Housing Trust Fund to affordable housing projects that are not HOME assisted, but that meet the requirements as specified in 24 CFR 92.219(b)(2).
- Eligible match contributions from State recipients, as specified in 24 CFR 92.220.

- Match contributions from local political jurisdictions provided through the abatement of real estate property taxes for affordable housing properties developed and owned by qualified CHDO applicants.

Additionally, TDHCA will continue to carry forward match credit.

DEOBLIGATED HOME PROGRAM FUNDS

When administrators have not successfully expended the HOME funds within their contract period, TDHCA deobligates the funds and pools the dollars to award applicants according to TDHCA's Deobligation Policy as defined in 10 TAC §1.19.

APPLICABLE FEDERAL AND STATE REGULATIONS

HOME funds will be distributed in accordance with the eligible activities and eligible costs listed in 24 CFR 92.205–92.209 and 10 TAC Chapter 53. All local administrators will be required to execute certifications that the program will be administered according to federal HOME regulations and State HOME Rules.

Developments receiving funding from TDHCA must comply with accessibility standards required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), as amended, and specified under 24 CFR Part 8, Subpart C. This includes a provision that a minimum of 5 percent of the total dwelling units or at least one unit, whichever is greater, must be made accessible for individuals with mobility impairments. An additional 2 percent of the total number of dwelling units or at least one unit, whichever is greater, must be accessible for individuals with hearing or vision impairments. In the event that a project does not meet the requirements of Section 504, TDHCA will consider using HOME deobligated funds for eligible Section 504 activities with the purpose of bringing noncompliant projects into compliance when appropriate and when such a request is supported by circumstances beyond the control of the administrator. This provision will not apply if Section 504 activities were included as part of the budget in contracts between TDHCA and administrators.

THE PLANNING PROCESS AND PUBLIC PARTICIPATION

The planning process will include a review of the federal and state regulations that govern the HOME Program, the regional needs assessment, and Department goals and mandates.

The *2008 State of Texas Consolidated Plan: One-Year Action Plan (Draft for Public Comment)* was available for public comment from September 10, 2007, through October 10, 2007. Additionally, TDHCA held 6 public hearings in which constituents are given the opportunity to make general comments on the direction of all Department programs. During this time, citizens and organizations were encouraged to send written comment on the Plan via mail, email, or fax.

Any amendments made to the HOME Program Rules are published in the *Texas Register* for a 30-day comment period. The HOME Program also receives public comment during TDHCA Board of Directors meetings.

MINORITY PARTICIPATION

TDHCA encourages minority employment and participation among all applicants under the HOME Program. All applicants to the HOME Program are required to submit an affirmative marketing plan as part of the application process. Additionally, TDHCA encourages applicant outreach to Historically Underutilized Businesses.

RECAPTURE PROVISIONS UNDER HOMEOWNERSHIP PROGRAMS

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 CFR 92.254(a)(5).

TDHCA has elected to utilize the recapture provision under 24 CFR 92.254(a)(5)(ii) as its method of recapturing HOME funds under any program the State administers that is subject to this provision.

1. The following methods of recapture would be acceptable to TDHCA and will be identified in the note prior to closing:
 - a. Recapture the amount of the HOME investment reduced on a prorata share based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recapture amount is subject to available shared net proceeds in the event of sale or foreclosure of the housing unit.
 - b. In the event of sale or foreclosure of the housing unit, if the shared net proceeds (i.e., the sales price minus closing costs; any other necessary transaction costs; and loan repayment, other than HOME funds) are in excess of the amount of the HOME investment that is subject to recapture, then the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following mathematical formulas:

$$\text{(HOME investment / (HOME investment + homeowner investment)) X net proceeds = HOME amount to be recaptured}$$

$$\text{(HOME investment / (HOME investment + homeowner investment)) X net proceeds = amount to homeowner}$$
2. The HOME investment that is subject to recapture is based on the amount of HOME assistance that enabled the homebuyer to buy the dwelling unit. This is also the amount upon which the affordability period is based. This includes any HOME assistance that reduced the purchase price from fair market value to an affordable price, but excludes the amount between the cost of producing the unit and the market value of the property (i.e., the development subsidy). The recaptured funds must be used to carry out HOME-eligible activities. If HOME funds were used for development subsidy and therefore not subject to recapture, the resale provisions at 24 CFR 92.254(a)(5)(i) apply.
3. Upon recapture of the HOME funds used in a single family homebuyer project with more than one unit, the affordability period on the rental units may be terminated at the discretion of TDHCA.

In certain instances, TDHCA may choose to utilize the resale provision at 24 CFR 92.254(a)(5)(i) under any program the State administers that is subject to this provision.

1. The following method of resale would be acceptable to TDHCA and will be identified in the note prior to closing:
 - a. Resale requirements must ensure that, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing is made available for subsequent purchase only to a buyer whose family qualifies as a low or very low income family and will use the property as its principal residence.
 - b. The resale requirement must also ensure that the price at resale provides the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low or very low income homebuyers.
 - c. The period of affordability is based on the total amount of HOME funds invested in the housing.
2. Except as provided in paragraph 24 CFR 92.254(a)(5)(i)(B), deed restrictions, covenants running with the land, or other similar mechanisms must be used as the mechanism to impose the resale requirements.

OTHER FORMS OF INVESTMENT

If a participating jurisdiction intends to use other forms of investment not described in §92.205(b), a description of the other forms of investment must be provided.

The State is not proposing to use any form of investment in its HOME Program that is not already listed as an eligible form of investment in 24 CFR 92.205(b).

REFINANCING DEBT

If the State intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR § 92.206(b).

TDHCA may use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds as described in 24 CFR § 92.206(b). TDHCA shall use its underwriting and evaluation standards, codified at 10 TAC §§1.31-1.36 and its HOME Program Rule at 10 TAC §53, for refinanced properties in accordance with its administrative rules. At a minimum, these rules require the following:

- That rehabilitation is the primary eligible activity for developments involving refinancing of existing debt;
- Sets a minimum funding level for rehabilitation on a per unit basis;
- Requires a review of management practices to demonstrate that disinvestments in the property has not occurred;
- That long term needs of the project can be met;
- That the financial feasibility of the development will be maintained over an extended affordability period;
- State whether new investment is being made to maintain current affordable units, and or create additional affordable units;
- Specifies the required period of affordability;
- Specifies that HOME funds may be used throughout the entire jurisdiction, except as TDHCA may be limited by the Texas Government Code; and
- States that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

In accordance with the guidelines from HUD, TDHCA will comply with the new CPD Outcome Performance Measurement System. Compliance will be attained through the creation and development of additional tracking screens in TDHCA's central database to enable the Department to capture information needed for input into IDIS. HOME Program eligible activities will be categorized into the objectives and outcomes listed in the chart below. It is anticipated most HOME Program eligible activities will be categorized as Outcome #2 and Objective #2.

The performance figures are based on actual performance during the Program Year (February 1st through January 31st) of current contracts and actual units and households served. In contrast, the performance measures reported to the Texas Legislative Budget Board for the State Fiscal Year (September 1st through August 31st) are based on projected units and households at time of award. The HOME performance figures reported herein may include funding from several years as funds from previous years are deobligated and refunded.

	OUTCOME 1	OUTCOME 2	OUTCOME 3
OBJECTIVE #1 Suitable Living Environment	Enhance Suitable Living Environment Through Improved/New Accessibility	Enhance Suitable Living Environment Through Improved/New Affordability	Enhance Suitable Living Environment Through Improved/New Sustainability
OBJECTIVE #2 Decent Housing	Create Decent Housing with Improved/New Availability	Create Decent Housing with Improved/New Affordability (DH-2)	Create Decent Housing with Improved/New Sustainability
OBJECTIVE #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide Economic Opportunity Through Improved/New Sustainability

HOME Program Performance Measures

Outcomes and Objectives	Performance Indicators	Expected Number
DH-2	No. of rental units assisted through new construction and rehabilitation	400
DH-2	No. of tenant-based rental assistance units	630
DH-2	No. of existing homeowners assisted through owner-occupied assistance	750
DH-2	No. of first-time homeowners assisted through homebuyer assistance	560

HOME PROGRAM ACTIONS

This section describes how the HOME Program addresses the following: affordable housing, public housing resident initiatives, lead-based paint hazards, poverty-level households, and institutional structure.

AFFORDABLE HOUSING

The HOME Program provides grant funds, deferred forgivable loans, and repayable loans to units of local government, nonprofit and for-profit organizations, community housing development organizations (CHDOs), and public housing authorities (PHAs). These funds are primarily used to foster and maintain affordable housing by providing rental assistance, rehabilitation, or reconstruction of owner-occupied housing units, down payment and closing cost assistance for the acquisition of affordable single family housing, and funding for rental housing development preservation of existing affordable or subsidized rental housing.

PUBLIC HOUSING RESIDENT INITIATIVES

Because PHAs are eligible applicants under the HOME Program, TDHCA sends notices of funding availability to all PHAs in the state. At HOME application workshops, application processes are discussed in detail, including those related to HBA. In addition to PHAs that have received HOME funds to provide homebuyer assistance in

their areas, PHAs have also received HOME tenant-based rental assistance funds, enabling them to provide additional households with rental assistance and services to increase self-sufficiency.

LEAD-BASED HAZARDS

The HOME Program requires an environmental site assessment and the abatement of lead-based paint if the structure being rehabilitated was constructed prior to 1978. There is significant training, technical assistance, and oversight of this requirement on each contract funded under the HOME Program.

POVERTY-LEVEL HOUSEHOLDS

Through the HOME Tenant-Based Rental Assistance Program, TDHCA assists households with rental subsidy and security and utility deposit assistance for a period not to exceed two years. As a condition to receiving rental assistance, households must participate in a self-sufficiency program, which can include job training, GED classes, or drug recovery classes. The HOME Program enables households to receive rental assistance while participating in programs that will enable them to improve employment options and increase their economic independence and self-sufficiency.

INSTITUTIONAL STRUCTURE

The HOME Program encourages partnerships in order to improve the provision of affordable housing. Organizations receiving HBA funds are required to provide homebuyer education classes to households directly, or coordinate with a local organization that will provide the education. In addition, organizations receiving TBRA funds must provide self-sufficiency services directly, or coordinate with a local organization that will provide the services.

HOMELESS ACTION PLAN: **EMERGENCY SHELTER GRANTS PROGRAM**

FEDERAL RESOURCES EXPECTED PY 2008

TDHCA expects to receive \$5,157,329 for PY 2008. This estimate is based on the State's ESG allocation for PY 2007, which was \$5,157,329.

RECIPIENTS

Recipients of ESG funds are units of general local government and private nonprofit organizations.

ESTIMATED PY 2008 BENEFICIARIES

It is estimated that in PY 2008 76 private nonprofit entities and units of general local government will be funded to administer projects that will provide shelter and related services to homeless persons and/or intervention services to persons at risk of homelessness. Activities administered by several of these funded entities will involve collaborative efforts with 17 other sub entities. It is estimated that 79,000 homeless persons will be assisted in PY 2008.

TARGETED BENEFICIARIES

The targeted beneficiaries are homeless individuals and individuals at risk of homelessness.

FUNDING DISTRIBUTION

TDHCA has administered the Emergency Shelter Grants Program (ESG) since 1987. TDHCA will administer the S-04-DC-48-0001 ESG funds in a manner consistent with the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. Sec 11371 *et seq.*). TDHCA will obligate PY 2008 ESG funds through a statewide competitive application process. ESG funds are reserved for each of the State's 13 Uniform State Service Regions based on the poverty population of each region taken from the 2000 US Census. A portion of the State's ESG allocation may be reserved to fund an eligible [statewide-special initiative](#) homelessness prevention project. In the past, this [statewide](#) project has addressed the expansion of the number of homeless coalitions, the provision of training and technical assistance on homeless issues, and the maintenance of a homeless information resource library.

OBJECTIVES

The objectives of ESG consist of the following:

- Help improve the quality of emergency shelters for the homeless.
- Make additional emergency shelters available.
- Help meet the costs of operating and maintaining emergency shelters.
- Provide essential services so that homeless individuals have access to the assistance they need to improve their situations.
- Provide emergency intervention assistance to prevent homelessness.

The State's strategy to help homeless persons includes: community outreach efforts to ensure that homeless persons and persons at risk of homelessness are aware of available services, providing funding to support emergency shelter and transitional housing programs, helping homeless persons make the transition to permanent

housing and independent living through comprehensive case management, and supporting ~~statewide-other~~ efforts to address homelessness. This strategy is outlined below.

Helping low income families avoid becoming homeless:

- TDHCA awards ESG funds using the competitive process described in the ESG One-Year Action Plan. In that process, up to 30 percent of the State's ESG annual allocation is made available to support homelessness prevention activities, and up to 30 percent of the ESG annual allocation is made available to provide essential services. Homelessness prevention efforts include short-term rent and utility assistance for homeless individuals and families and, if they meet certain criteria, those who are at-risk of losing their housing.
- Applicants for ESG funding are required to demonstrate coordination with other providers in their communities as part of the ESG scoring criteria. ESG grant recipients are encouraged to maximize all community resources when providing homelessness prevention assistance to ensure the appropriate use of these limited resources.

Reaching out to homeless persons and assessing their individual needs:

- Each application for ESG funding includes information about the outreach process and case management system used by the applicant organization.
- Each application for ESG funding includes a description of services provided to homeless persons. This description is evaluated during the application review process as a criterion for receiving ESG funding.

ESG grant recipients will be required to report on outcomes achieved by homeless persons assisted. Reporting on outcomes will provide TDHCA with information on the long-term impact of the services provided such as the attainment of transitional housing or permanent housing, obtaining a GED or high school diploma or the achievement of other education and training goals, obtaining job skills, job placement, etc.

Addressing the emergency shelter and transitional housing needs of homeless persons:

- ESGP grants provide support to organizations that provide emergency services, shelter, and transitional housing to homeless persons and families.
- To ensure equitable distribution of funding, a portion of the ESGP allocation is reserved for each of the 13 regions in the state on the basis of the poverty population in each region. TDHCA expects to fund 78 projects in PY 2008. (See the ESGP Obligation Process later in this section.)

Helping homeless persons make the transition to permanent housing:

- ESGP funds can be used to pay rent and utility deposits as well as first month's rent for homeless individuals making the transition to permanent housing.

Supporting ~~statewide-other~~ efforts to address homelessness:

- In 2007, the TDHCA sponsored the State's application to HUD for Continuum of Care funds for the Balance of State. HUD funded the Balance of State HMIS component of the application. The State may utilize ESGP funds to provide support for the ~~statewide~~-HMIS project if determined an eligible activity by HUD. It is anticipated that it will take 4-5 years for the Balance of State areas of the State to fully implement an HMIS reporting system.
- ~~If determined an eligible activity by HUD, the State may fund a special initiative project to improve HMIS delivery for shelters. The State will solicit applications from interested parties and a competitive grant award will be provided to support a special initiative project. The State may continue to fund an eligible statewide project to expand the number of homeless coalitions, to provide training and technical assistance on homeless issues, and to maintain a homeless information resource library. The State will solicit applications from interested parties and a competitive grant award will be provided to support a statewide project.~~

ELIGIBLE ACTIVITIES

ESG funds may be used for the following eligible activities:

1. Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters for the homeless.
2. Provision of essential services, including, but not limited to, the following:
 - a. Assistance in obtaining permanent housing
 - b. Medical and psychological counseling and supervision
 - c. Employment counseling
 - d. Nutritional counseling
 - e. Substance abuse treatment and counseling
 - f. Assistance in obtaining other federal, state, and local assistance
 - g. Other services such as child care, transportation, job placement, and job training
 - h. Staff salaries necessary to provide the above services

These services may be provided only pursuant to Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Sec. 11374), which requires that services funded with ESG must be provided in a nondiscriminatory manner.

3. Payment of maintenance, operation, and furnishings costs, except that not more than 10 percent of the amount of any ESG grant may be used to pay operation staff costs.
4. Developing and implementing homeless prevention activities as per Sec. 414 of the McKinney Act as amended by Sec. 832 of the Cranston-Gonzalez National Affordable Housing Act.

RECIPIENT REQUIREMENTS

Recipients of ESG funding are required to meet certain minimum specifications that include, but are not limited to, the following:

1. Being a unit of general local government or private nonprofit organization.
2. Documenting, in the case of a private nonprofit organization, that the proposed project has the approval of the city, county, or other unit of local government in which the project will operate.
3. Providing for the participation of homeless or formerly homeless individuals on their board of directors or other policy-making entity.
4. Assuring that ESG subrecipients obligate funds within 180 days from the date that TDHCA received the award letter from HUD.
5. Documentation of fiscal accountability, as specified in the application.
6. Proposing to undertake only eligible activities.
7. Demonstrating need.
8. Assuring ability to provide matching funds.
9. Demonstrating effectiveness in serving the homeless, including the ability to establish, maintain, and/or improve the self-sufficiency of homeless individuals.
10. Assuring that homeless individuals will be involved in the provision of services funded through ESG, to the maximum extent feasible, through employment, volunteerism, renovating, maintaining or operating facilities, and/or providing direct services to occupants of facilities assisted with ESG funds.

11. Assuring the operation of an adequate, sanitary, and safe homeless facility.
12. Assuring that it will administer, in good faith, a policy designed to ensure that the homeless facility is free from the illegal use, possession, or distribution of drugs or alcohol by its beneficiaries.
13. Assuring that it will develop and implement procedures to ensure the confidentiality of records of any individual receiving assistance as a result of family violence.
14. Proposing a sound plan consistent with the State of Texas Consolidated Plan, the McKinney-Vento Homeless Assistance Act, and all other assurances and certifications.
15. Assuring the participation in the development and implementation, to the maximum extent practicable and where appropriate, policies and protocols for the discharge of person from publicly funded institutions and systems of care (such as health care facilities, foster care or other youth facilities, or correction programs and institutions) to prevent such discharge from immediately resulting in homelessness for such persons. ESG funds are not to be used to assist such persons in place of State and local resources.
16. Assuring that it will meet HUD's standards for participation in a local Homeless Management Information System and the collection and reporting of client-level information.

FUND OBLIGATION PROCESS

TDHCA will obligate PY 2008 ESG funds to units of general local government or to private nonprofit organizations which have local government approval to operate a project which assists homeless individuals. TDHCA will evaluate all applications received and award funds in accordance with the application specifications. This statewide competitive application process will allow ESG funds to be distributed equitably.

The State's anticipated ESG allocation for PY 2008 is \$5,157,329 less 5 percent (\$257,866) for state administration costs. TDHCA reserves ESG funds for each of the 13 Uniform State Service Regions. Funds are reserved for each region in direct proportion to the percentage of poverty population that exists in each region according to the most recent county Census data. Applicants compete only against other applicants in their Uniform State Service Region.

TDHCA is statutorily required by the Texas Government Code to provide a comprehensive statement on its activities during the preceding year through a document called the *State of Texas Low Income Housing Plan and Annual Report*. Part of this document describes the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by TDHCA.

TDHCA issues a notice of funding availability (NOFA) and posts an application to its website. Applications are also provided directly to any organization or individual upon request. As the applications are received, they are sorted by region and numbered consecutively. Teams review the applications according to assigned regions, using a standardized review instrument. A variety of factors, as per the application instructions, are evaluated and scored to determine each application's merit in identifying and addressing the needs of the homeless population, as well as the organization's capacity to carry out the proposed project.

The top scoring applications in each region will be recommended for funding based on the amount of funds reserved for each region. Any application which receives a score below 70 percent of the highest raw score from the region will not be considered for funding. All available ESG funds are obligated each year through 12-month contracts.

APPLICABLE FEDERAL AND STATE REGULATIONS

- 24 CFR 576 as amended;

- Title IV, Subtitle B of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. sec, 11371 et seq.)
- 10 Texas Administrative Code, Chapter 5, Subchapter C.

LEVERAGING RESOURCES

Section 576.51 of the ESG regulations state that each grantee must match the funding provided by HUD. Match resources must be provided after the date of the ESG grant award and must be provided in an amount equal to or greater than the ESG grant award. Resources used to match a previous grant may not be used to match a subsequent award. Sources of match may include, but are not limited to, unrestricted funds from the grant recipient, volunteer hours, the value of donated materials or buildings, or the fair market rent or lease value of a building used to provide services to the homeless population. Each applicant must identify the source and amount of match they intend to provide if they are selected for funding and may report monthly on the amount of match provided. ESG monitors review the match documentation during each on-site monitoring visit. A desk review is completed at the closeout of each contract to insure, among other things, that each ESG recipient has provided an adequate amount of match during the contract period.

SPECIAL INITIATIVES AND PARTNERSHIPS

TDHCA is the lead agency in the Texas Interagency Council for the Homeless (TICH). TICH is charged with surveying and evaluating services for the homeless in Texas, assisting in the coordination and provision of services to homeless person throughout the State, increasing the flow of information among service providers and appropriate authorities, developing guidelines to monitor services to the homeless, providing technical assistance to the housing finance division of TDHCA in assessing housing needs for persons with special needs, establishing a central resource and information center for the State's homeless population, and developing a strategic plan to address the needs of the homeless in cooperation with TDHCA and the Health and Human Services Commission.

TDHCA also supports the Texas Homeless Network and the activities that address homelessness, including providing technical assistance to develop and strengthen homeless coalitions throughout Texas, distributing a statewide bimonthly newsletter on homelessness, maintaining an information resource center, workshops, and sponsoring an annual statewide conference on homeless issues.

MONITORING

TDHCA monitors each ESG subrecipient annually. During the monitoring review, staff determine subrecipients' compliance with the ESG contract, ESG State Regulations, State Policy Issuances, 24 CFR Ch V, Part 576, OMB Circulars related to expenditure of funds, and requirements of Chapter 58 of the Environmental Protection Act as it relates to projects funded for rehabilitation, conversion, or renovation.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING

ESG began reporting using the HUD CPD Outcome Performance Measurement System on September 1, 2006, with the implementation of the 2006 ESG contracts. TDHCA will continue to utilize this reporting system in 2008. In 2007, the HUD CPD Outcome Performance Measurement System became automated whereby subrecipients began to report performance data via a Web based application. TDHCA's monthly performance reports have been amended to include changes in reporting requirements required by HUD and to gather data on persons assisted with services which are outcome oriented and have a long-term impact. ESG activities related to renovation/rehabilitation, essential services, maintenance, operations, and furnishings will fall under HUD's

Outcome 1, Availability/Accessibility, and Objective 1, Create a Suitable Living Environment (SL-1). ESG activities related to homelessness prevention will be reported under HUD's Outcome 1, Affordability and Objective 2, Provide Decent Housing. (DH-2)

ESG Annual Action Plan Planned Project Results			
Outcomes and Objectives	Performance Indicators	Expected Number	Activity Description
SL-1 Availability/ Accessibility and Create a Suitable Living Environment	Accessibility for the purpose of creating a suitable living environment.	80,000	Provide funding to support the provision of emergency and/or transitional shelter to homeless persons.
DH-2 Affordability and Provide Decent Housing	Affordability for the purpose of providing decent housing.	4,500	The provision of non-residential services including homelessness prevention assistance.

ESG ACTIONS

This section describes how ESG addresses the following: affordable housing, public housing resident initiatives, lead-based pain hazards, poverty-level households, and institutional structure.

AFFORDABLE HOUSING

While TDHCA encourages the use of ESG funds to provide affordable transitional housing, the majority of funds are utilized to provide emergency shelter. Fostering affordable housing is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

PUBLIC HOUSING RESIDENT INITIATIVES

Fostering public housing resident initiatives is not an initiative for which TDHCA provides funding or that TDHCA tracks for the ESG Program.

LEAD-BASED HAZARDS

TDHCA evaluates and reduces lead-based hazards for conversion, renovation, or rehabilitation projects funded with ESG funds and tracks work in these efforts in the ESG Program as required by Chapter 58 of the Environmental Protection Act.

POVERTY-LEVEL HOUSEHOLDS

While TDHCA encourages the use of ESG funds to help ESG clients lift themselves above the poverty line, it is not an initiative for which TDHCA provides funding or that TDHCA monitors for the ESG Program.

INSTITUTIONAL STRUCTURE

TDHCA encourages ESG subrecipients to coordinate services with housing and other service agencies. Collaborative applications funded with ESG funds are required to coordinate services and to provide services as part of a local continuum of care. TDHCA reviews ESG subrecipients' coordination efforts during on-site and desk monitoring.

CHRONIC HOMELESSNESS

Based on the 78 Emergency Shelter Grants (ESG) Program organizations funded in FY 2007, it is estimated that 40 of the 78 organizations serve the chronically homeless. These 40 organizations have 1,721 beds available. Six of these organizations are Salvation Army organizations. These organizations are located across the State. While the Department does not have a complete "inventory" of the supportive services offered by the ESG funded organizations, the Department is beginning to collect information on the number of persons provided with supportive services in FY 2006. The range of supportive services include: legal advocacy, education, employment, housing, counseling, psychological treatment and/or psychological counseling, substance abuse treatment, medical assistance, parenting and budgeting classes, housing advocacy, transportation assistance, English-as-a- Second Language classes, and clothing.

The following inventory is an account of all the Emergency, Transitional Housing, and Permanent Supportive Housing beds reported in the 2007~~6~~ Continuum of Care applications. These beds represent 245~~25~~ Texas counties that applied for funding in 2007~~6~~:

Emergency Shelter		
	<u>Existing Beds</u>	<u>Unmet Need*</u>
Family Beds	3,5454,294	2,1631,124
Individual Beds	7,5326,499	9,5195,087
Total	11,07710,793	11,6826,211
Transitional Housing		
	<u>Existing Beds</u>	<u>Unmet Need*</u>
Family Beds	2,9154,914	2,6603,442
Individual Beds	2,0273,632	6,1635,952
Total	4,9428,546	8,8239,349
Permanent Supportive Housing		
	<u>Existing Beds</u>	<u>Unmet Need*</u>
Family Beds	1,5501,447	3,0135,490
Individual Beds	5,8852,179	8,524245
Total	7,4353,626	11,5375,735

*Estimate based on Continuum of Care applications

COMMUNITY DEVELOPMENT ACTION PLAN: **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

PY 2008 GENERAL PROGRAM INFORMATION

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM ADMINISTRATION

The Office of Rural Community Affairs (ORCA) administers the State of Texas Community Development Block Grant Program (CDBG), called the Texas Community Development Block Grant Program (Tx CDBG). The Texas Department of Agriculture (TDA) administers the Texas Capital Fund through an interagency agreement between ORCA and TDA. The Tx CDBG will continue to fund the Colonia Self-Help Centers Fund but administration of that program will remain with the Texas Department of Housing and Community Affairs (TDHCA) Office of Colonia Initiatives through a Memorandum of Understanding between ORCA and TDHCA.

The mission of the Office of Rural Community Affairs is to assist rural Texans who seek to enhance their quality of life by facilitating, with integrity, the use of the resources of our state so that sustained economic growth will enrich the rural Texas experience for the benefit of all.

PY 2008 TXCDBG LEVERAGED RESOURCES

In order to support the goals, objectives, and outcomes of the Texas Community Development Block Grant Program and to encourage local commitments to the projects submitted for funding, match is required under most of the funding categories. The scoring criteria in the competitive funding categories give a scored weight to applicants that provide matching cash, in-kind labor, materials, and/or land and contributions from other sources. Leveraging resources other than local revenues, bonds, or loans from communities may include, but are not limited to the following:

- Texas Water Development Board,
- US Department of Agriculture – Rural Development, Natural Resource Conservation Service, Section 502 and Section 306c Programs,
- US Department of Homeland Security – Federal Emergency Management Agency,
- US Department of Treasury’s – North American Development Bank/Border Environment Cooperation Commission, and Small Business Administration,
- Texas Department of Transportation,
- Texas Department of Housing and Community Affairs – HOME Program, Housing Trust Fund, and Housing Assistance Council,
- Texas Department of Agriculture,
- Private businesses, organizations and/or Non-profits, and
- Banks and other lending institutions.

Eligible Applicants

Eligible applicants are nonentitlement general purpose units of local government including cities and counties that are not participating or designated as eligible to participate in the entitlement portion of the federal Community Development Block Grant Program (CDBG). Nonentitlement cities that are not participating in urban county

programs through existing participation agreements are eligible applicants (unless the city's population is counted towards the urban county CDBG allocation).

Nonentitlement cities are located predominately in rural areas and are cities with populations less than 50,000 thousand persons; cities that are not designated as a central city of a metropolitan statistical area; and cities that are not participating in urban county programs. Nonentitlement counties are also predominately rural in nature and are counties that generally have fewer than 200,000 persons in the nonentitlement cities and unincorporated areas located in the county.

Hidalgo County, a designated CDBG urban county, is eligible to receive assistance under the Texas Community Development Block Grant (Tx CDBG) Program Colonia Fund (and each fund category included under the Colonia Fund).

Counties eligible under both the Tx CDBG Colonia Fund and the Texas Water Development Board's Economically Distressed Areas Program (EDAP) are eligible under the Tx CDBG Colonia Economically Distressed Areas Program Fund. Non-entitlement cities located within eligible counties that meet other eligibility criteria, including the geographic requirements of the Colonia Fund, are also eligible applicants for the Tx CDBG Colonia Economically Distressed Areas Program Fund.

With the enactment of §43.905 of the Texas Local Government Code, a colonia that is annexed by a municipality remains eligible for five years after the effective date of the annexation to receive any form of assistance for which the colonia would be eligible if the annexation had not occurred. This only applies to a colonia annexed by a municipality on or after September 1, 1999.

Eligible Activities

Eligible activities under the Texas Community Development Block Grant Program are listed in 42 U.S.C Section 5305. The Tx CDBG staff reviews all proposed project activities included in applications for all fund categories, except the Texas Capital Fund, to determine their eligibility. The Texas Department of Agriculture determines the eligibility of activities included in Texas Capital Fund applications.

All proposed activities must meet one of the following three National Program Objectives:

1. principally benefit low- and moderate-income persons; or
2. aid in the elimination of slums or blight; or
3. meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community

Area benefit can be used to qualify street paving projects. However, for street paving projects that include multiple and non-contiguous target areas, each target area must separately meet the principally benefit low and moderate income national program objective. At least fifty-one percent (51%) of the residents located in each non-contiguous target area must be low and moderate income persons. A target area that does not meet this requirement cannot be included in an application for Tx CDBG funds. The only exception to this requirement is street paving eligible under the Disaster Relief/Urgent Need Fund.

Ineligible Activities

In general, any type of activity not described or referred to in 42 U.S.C Section 5305 is ineligible. Specific activities ineligible under the Texas Community Development Block Grant Program are:

1. construction of buildings and facilities used for the general conduct of government (e.g. city halls, courthouses, etc.);
2. new housing construction, except as last resort housing under 49 CFR Part 24 or affordable housing through eligible subrecipients in accordance with 24 CFR 570.204;
3. the financing of political activities;
4. purchases of construction equipment (except in limited circumstances under the STEP Program);
5. income payments, such as housing allowances; and
6. most operation and maintenance expenses (including smoke testing, televising / video taping line work, or any other investigative method to determine the overall scope and location of the project work activities)

The Texas Capital Fund (TCF) will not accept applications in support of public or private prisons, racetracks and projects that address job creation/retention through a government supported facility. The Texas Capital Fund Program may be used to financially assist/facilitate the relocation of a business when certain requirements, as defined in the application guidelines, are met.

Primary Beneficiaries

The primary beneficiaries of the Texas Community Development Block Grant Program are low to moderate income persons as defined under the U.S. Department of Housing and Urban Development (HUD) Section 8 Assisted Housing Program (Section 102(c)). Low income families are defined as those earning less than 50 percent of the area median family income. Moderate income families are defined as those earning less than 80 percent of the area median family income. The area median family can be based on a metropolitan statistical area, a non-metropolitan county, or the statewide non-metropolitan median family income figure.

Displacement of Persons Assisted

Applicant localities must certify that they will minimize the displacement of persons as a result of activities assisted with Texas Community Development Block Grant Program grant funds.

ALLOCATION OF CDBG FUNDS

Available Fund Categories

Assistance is available in twelve funding categories under the Texas Community Development Block Grant Program as indicated below:

1. Community Development Fund
2. Community Development Supplemental Fund
3. Texas Capital Fund
4. Colonia Fund
 - 4a. Colonia Construction Fund
 - 4b. Colonia Economically Distressed Areas Program Fund
 - 4c. Colonia Planning Fund
 - (1) Colonia Area Planning Fund
 - (2) Colonia Comprehensive Planning Fund
 - 4d. Colonia Self-Help Centers Fund

5. Non-Border Colonia Fund
6. Planning and Capacity Building Fund
7. Disaster Relief/Urgent Need Fund
8. Tx CDBG STEP Fund
9. Microenterprise Loan Fund
10. Small Business Loan Fund
11. Section 108 Loan Guarantee Pilot Program
12. Renewable Energy Demonstration Pilot Program

Description of Funds

1. Community Development Fund

This fund is available on a biennial basis (primarily for public facilities and housing assistance) for funding from program years 2007 and 2008 through a 2007 annual competition in each of the 24 state planning regions. Applications received by the 2007 program year application deadline were selected to receive grant awards from the 2007 and 2008 program year allocations. The scoring of the applications is shared between ORCA and the 24 Regional Review Committees.

Housing - Each region is encouraged to allocate eight percent (8%), or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage of its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities. (Under a housing allocation process, a community would not be able to receive an award for both a housing activity and an award for another Community Development/Community Development Supplemental Fund activity during the biennial process. Housing projects/activities must conform to eligibility requirements in 42 U.S.C Section 5305 and applicable HUD regulations.)

Funds for projects under the Community Development Fund are allocated among the 24 state planning regions through a formula based on the following factors:

- | | |
|-------------------------------------|-----|
| a. Non-Entitlement Population | 30% |
| b. Number of Persons in Poverty | 25% |
| c. Percentage of Poverty Persons | 25% |
| d. Number of Unemployed Persons | 10% |
| e. Percentage of Unemployed Persons | 10% |

To the extent possible, the information used to calculate the regional allocations through these factors will be based on the eligible nonentitlement applicants within each region. The current Community Development Fund regional allocation factors will continue in 2008 since the TxCDBG has reviewed and scored the applications for funding from program year 2007's allocation and the estimated 2008 allocation. Tx CDBG changes in actual regional allocations shall only reflect overall changes in the Texas Community Development Block Grant Program funding level and changes in eligible population, poverty characteristics, and unemployment characteristics. The population and poverty information used is from the current available decennial census data. The unemployment

information used is the current available annual average information. The Tx CDBG will continue to involve the non-entitlement communities and the public in a review of the regional allocation formula through public hearings, meetings of the ORCA Executive Committee, a standing Regional Allocation Task Force subcommittee of the ORCA Executive Committee, and input from the State Community Development Review Committee, Regional Councils of Governments, local and state government officials, and other interested parties.

Some regions in the state have a small number of eligible applicants and these regions may receive regional allocations large enough to allow each eligible applicant in that region to apply for an equal share of the regional allocations. The share available to each eligible applicant in the region may amount to an equal share based on the number of eligible applicants and the 2007 and 2008 regional allocations for that region. Or the share available to each eligible applicant in the region may be based on an allocation formula used by the region to allocate the funds available through the 2007 and 2008 regional allocations for the region. Each applicant in one of these regions must meet all state and federal eligibility requirements including but not limited to Tx CDBG applicant threshold requirements, federal requirements for eligible activities, and federal requirements that each activity in an application meet one of the three national program objectives. Applicants in these regions are scored by the Regional Review Committees and the Tx CDBG staff in accordance with the established Community Development Fund selection criteria. The total score received by each applicant in these regions determines if the applicant receives funding from the 2007 regional allocation or 2008 regional allocation. Depending on the State of Texas' CDBG allocations for the 2007 and 2008 program years, there could be a large variance between the 2007 and 2008 regional allocations. If the 2008 regional allocation for one of these regions decreases significantly from the 2007 regional allocation, then the total scores received by applicants in these regions could in fact prevent some of the applicants from receiving funds from the 2008 regional allocation.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Community Development Fund allocation and correspondingly higher or lower regional allocations.

Applicants must demonstrate they are adequately addressing water supply and water conservation issues (in particular contingency plans to address drought-related water supply issues), as described in the application guidance.

Applications requesting funds for projects other than water and sewer must include a description of how the applicant's water and sewer needs would be met and the source of funding that would be used to meet these needs.

2. Community Development Supplemental Fund

Funds under the Community Development Supplemental Fund are allocated among the 24 state planning regions through a formula using the same methodology that HUD uses to allocate CDBG funds to the non-entitlement state programs. The HUD factors, percentages, and methodology are specified in 42 U.S.C. 5306(d). The Tx CDBG will use available data to calculate the allocations to each region.

Using the HUD methodology, the allocation for each region shall be the greater of an amount that bears the same ratio to the allocation for all 24 regions available as either:

- (A) the average of the ratios between:

- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 25% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted two times - 50% weight); and
- the extent of housing overcrowding in the nonentitlement areas in that region and the extent of housing overcrowding in the nonentitlement areas of all 24 regions (counted one time - 25% weight);

OR

(B) the average of the ratios between:

- the age of housing in the nonentitlement areas in that region and the age of housing in the nonentitlement areas in all 24 regions (counted two and one half times - 50% weight);
- the extent of poverty in the nonentitlement areas in that region and the extent of poverty in the nonentitlement areas of all 24 regions (counted one and one half times - 30% weight); and
- the population of the nonentitlement areas in that region and the population of the nonentitlement areas of all 24 regions (counted one time - 20% weight).

Activities eligible under the Community Development Supplemental Fund will be same as under the Community Development Fund.

The Tx CDBG will review the applications and proposed activities for eligibility under HUD CDBG program regulations. The Regional Review Committee (350 points) will score the applications received under this fund, with the exception that the Tx CDBG (10 points) will score the past performance factor.

The amount in this fund will be available during the same biennial application review and selection period as the Community Development Fund. An applicant would not need to apply separately under the Community Development Supplemental Fund. The maximum and minimum award amount in a region for the Community Development Supplemental Fund would be the same as the levels established for the Community Development Fund. The Regional Review Committee will consider and score applications for both the Community Development and Community Development Supplemental Funds at the same meeting using the applicable selection criteria. Similarly, the Tx CDBG will consider and score the applications for both funds at the same time using the applicable criteria.

Since applications are considered for funding under both the Community Development and Community Development Supplemental Funds during the same selection process, an eligible community may only submit one application under the Community Development Fund / Community Development Supplemental Fund for the 2007/2008 biennial competition.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Community Development Supplemental Fund allocation.

2a. Selection Process:

1. In general, both the Community Development (CD) Fund and Community Development Supplemental (CDS) Fund scores will be considered under the first year's CD and CDS allocation to provide an applicant the greater award amount in the first year of competition, whether from the anticipated CD or CDS allocations.
2. Specifically, the Community Development Fund dollars for the first year will be allocated using the CD score until a marginal CD award amount remains for the anticipated first year allocation. A comparison will then be made to compare the preliminary first-year marginal CD applicant's CDS score with the remaining applicants and also if it could be offered a higher dollar award in the first year under the CDS Fund allocation. If its CDS score was higher than the next highest ranked applicant's CDS score and it would receive a higher award amount in the first year under the CDS allocation, it would be offered a first year CDS award. The remaining applicants would compete for the remaining CD and CDS first-year funds based on the method of providing the highest ranked applicants under the respective CD and CDS scoring criteria with the higher award amount, whether from the first year CD or CDS allocation.
3. In the second year, the Community Development Fund marginal funds may be used in the second year to fund a non-fully funded Community Development Supplemental Fund application.
4. If there are insufficient Community Development Supplemental Funds in the first year to fully fund an application, then the applicant may accept the amount available or wait for full funding in the second year by combining the two years.
5. If there are insufficient Community Development Supplemental Funds in the two years to fully fund an application, then Community Development Fund marginal funds may be used to fully fund the application. If marginal funds are not available to fully fund the application, the applicant may accept the amount of the funds available or, if declined, the funds will be part of the marginal competition.

3. Texas Capital Fund

This economic development funding is used for projects that will create or retain permanent employment opportunities, primarily for low to moderate income persons, and for county economic and management development activities. Responsibility for this fund is contracted to the Texas Department of Agriculture through an interagency agreement. The funds may be used to provide financial assistance for eligible activities as cited in 42 U.S.C Section 5305, including the following activities.

- a. Infrastructure improvements to assist a for-profit entity or a non-profit entity.
- b. Acquisition of real property or to acquire, construct, reconstruct, or rehabilitate public facilities to assist a for-profit entity.
- c. Infrastructure improvements to assist Texas Main Street Program designated municipalities.
- d. Downtown Revitalization Program that is designed to foster and stimulate economic development in downtown areas by providing financial assistance for public improvements to non-entitlement cities. This program encourages the elimination of slum and blighted areas by targeting the renovation and/or construction of sidewalks, lighting, drainage and other infrastructure improvements in downtown areas.

Communities eligible for the Texas Main Street Program are not eligible for the Downtown Revitalization Program.

- e. County economic and management development activities as approved by ORCA. Not more than five percent (5%) of the Texas Capital Fund allocation may be used for these activities. Section 487.352I of the Texas Government Code requires ORCA to “allocate not more than five percent of the funds allocated to the Department of Agriculture under the Texas Capital Fund to be used for county economic and management development.” ORCA will review activities proposed for this assistance and determine if the activities are consistent with the federal law governing the CDBG program.
- f. Assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that:
 - (1) creates or retains jobs for low- and moderate-income persons;
 - (2) prevents or eliminates slums or blight;
 - (3) meets urgent needs;
 - (4) creates or retains businesses owned by community residents;
 - (5) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or
 - (6) provides technical assistance to promote any of the activities under subparagraphs (1) through (5).

The Texas Capital Fund program will require repayment for Real Estate and Infrastructure projects, as follows:

- a. Real Estate Development (including improvements to the business site) projects require full repayment with no interest accruing; and
- b. Infrastructure Program (awards for infrastructure or railroad improvements on private property require full repayment with no interest accruing).

4. Colonia Fund

This fund is available to eligible county applicants for projects in severely distressed unincorporated areas which meet the definition as a “colonia” under this fund. Scoring of all the selection criteria for Colonia Fund applications is completed by Tx CDBG staff. The term “colonia” means any identifiable unincorporated community that is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Except for fund categories where additional restrictions apply, a county can only submit applications on behalf of eligible colonia areas located within 150 miles of the Texas-Mexico border region, except that any county that is part of a standard metropolitan statistical area with a population exceeding 1,000,000 is not eligible under this fund.

4a. Colonia Construction Fund

The allocation is available on a biennial basis for funding from program years 2007 and 2008 through a 2007 annual competition. Applications received by the 2007 program year application deadline are eligible to receive grant awards from the 2007 and 2008 program year allocations. Funding priority shall be given to Tx CDBG applications from localities that have been funded through the Texas Water Development Board Economically Distressed Areas Program (TWDB EDAP) where the Tx CDBG project will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with access to the TWDB EDAP-funded water or sewer system. An eligible county applicant may submit one (1) application for the following eligible activities:

- (1) Assessments for Public Improvements – The payment of assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low- and moderate-income to recover the capital cost for a public improvement.
- (2) Other Improvements – Other activities eligible under 42 U.S.C Section 5305 designed to meet the needs of colonia residents.

4b. Colonia Economically Distressed Areas Program (CEDAP) Fund

The allocation is distributed on an as-needed basis. Eligible applicants are counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund, including meeting the geographic requirements, and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

4c. Colonia Planning Fund

The allocation will be distributed through two separate annual competitions for applications that include planning activities targeted to selected colonia areas – Colonia Area Planning Fund, and for applications that include countywide comprehensive planning activities – Colonia Comprehensive Planning Fund. Applications received by

the 2008 program year application deadline are eligible to receive a grant award from the 2008 program year allocation.

A county can only receive one-time assistance from the Colonia Comprehensive Planning Fund. Therefore, any county that has previously received a Colonia Comprehensive Planning Fund grant award may not submit another application for the Colonia Comprehensive Planning Fund.

In order to qualify for the Colonia Area Planning Fund, the county applicant must have a Colonia Comprehensive Plan in place that prioritizes problems and colonias for future action. The targeted colonia must be included in the Colonia Comprehensive Plan.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

(1) Colonia Area Planning Fund

An eligible county may submit an application for eligible planning activities that are targeted to one or more colonia areas. Eligible activities include:

- Payment of the cost of planning community development (including water and sewage facilities) and housing activities;
- costs for the provision of information and technical assistance to residents of the area in which the activities are located and to appropriate nonprofit organizations and public agencies acting on behalf of the residents; and
- costs for preliminary surveys and analyses of market needs, preliminary site engineering and architectural services, site options, applications, mortgage commitments, legal services, and obtaining construction loans.

(2) Colonia Comprehensive Planning Fund

To be eligible for this fund, a county must be located within 150 miles of the Texas-Mexico border. The applicant's countywide comprehensive plan will provide a general assessment of the colonias in the county, but will include enough detail for accurate profiles of the county's colonia areas. The prepared comprehensive plan must include the following information and general planning elements:

- Verification of the number of dwellings, number of lots, number of occupied lots, and the number of persons residing in each county colonia
- Mapping of the locations of each county colonia
- Demographic and economic information on colonia residents
- The physical environment in each colonia including land use and conditions, soil types, and flood prone areas
- An inventory of the existing infrastructure (water, sewer, streets, drainage) in each colonia and the infrastructure needs in each colonia including projected infrastructure costs
- The condition of the existing housing stock in each colonia and projected housing costs

- A ranking system for colonias that will enable counties to prioritize colonia improvements rationally and systematically plan and implement short-range and long-range strategies to address colonia needs
- Goals and Objectives
- Five-year capital improvement program

4d. Colonia Self-Help Centers Fund

In accordance with Subchapter Z, Chapter 2306, Government Code, TDHCA has established self-help centers in Cameron County, El Paso County, Hidalgo County, Starr County, and Webb County. If deemed necessary and appropriate, TDHCA may establish self-help centers in other counties (self-help centers have been established in Maverick County and Val Verde County) as long as the site is located in a county that is designated as an economically distressed area under the Texas Water Development Board Economically Distressed Areas Program (EDAP), the county is eligible to receive EDAP funds, and the colonias served by the center are located within 150 miles of the Texas-Mexico border.

The geographic area served by each self-help center is determined by TDHCA. Five (5) colonias located in each self-help center service area are designated to receive concentrated attention from the center. Each self-help center sets a goal to improve the living conditions of the residents located in the colonias designated for concentrated attention within a two-year period set under the contract terms. TDHCA has the authority to make changes to the colonias designated for this concentrated attention.

The TDHCA grant contract for each self-help center must be executed with the county where the self-help center is located. TDHCA will enter into a Texas Community Development Block Grant Program contract with each affected county. Each county enters into a subcontract with a non-profit community action agency, a public housing authority, or a non-profit organization.

A Colonia Residents Advisory Committee was established and not fewer than five persons who are residents of colonias were selected from the candidates submitted by local nonprofit organizations and the commissioners' court of a county where a self-help center is located. One committee member shall be appointed to represent each of the counties in which a self-help center is located. Each committee member must be a resident of a colonia located in the county the member represents but may not be a board member, contractor, or employee of or have any ownership interest in an entity that is awarded a contract through the Texas Community Development Block Grant Program. The Advisory Committee shall advise TDHCA regarding:

- (1) the needs of colonia residents;
- (2) appropriate and effective programs that are proposed or are operated through the centers; and
- (3) activities that may be undertaken through the centers to better serve the needs of colonia residents.

The purpose of each center is to assist low income and very low income individuals and families living in colonias located in the center's designated service area to finance, refinance, construct, improve or maintain a safe, suitable home in the designated service area or in another suitable area. Each self-help center may serve low income and very low income individuals and families by:

- (1) providing assistance in obtaining loans or grants to build a home;
- (2) teaching construction skills necessary to repair or build a home;

- (3) providing model home plans;
- (4) operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in colonias who are building or repairing a residence or installing necessary residential infrastructure;
- (5) helping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a colonia, including potable water, wastewater disposal, drainage, streets and utilities;
- (6) surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
- (7) providing credit and debt counseling related to home purchase and finance;
- (8) applying for grants and loans to provide housing and other needed community improvements;
- (9) providing other eligible services that the self-help center, with TDHCA approval, determines are necessary to assist colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a colonia's area;
- (10) providing assistance in obtaining loans or grants to enable an individual or family to acquire fee simple title to property that originally was purchased under a contract for a deed, contract for sale, or other executory contract;
- (11) monthly programs to educate individuals and families on their rights and responsibilities as property owners; and
- (12) providing access to computers, the internet, and computer training.

A self-help center may not provide grants, financing, or mortgage loan services to purchase, build, rehabilitate, or finance construction or improvements to a home in a colonia if water service and suitable wastewater disposal are not available.

5. Non-Border Colonia Fund

This fund is available on a biennial basis to eligible county applicants for projects in severely distressed unincorporated areas located farther than 150 miles from the Texas-Mexico border and non-entitlement counties, or portions of counties, within 150 miles of the Texas-Mexico border that are not eligible for the Colonia Fund because they are located in a standard metropolitan statistical area that has a population exceeding 1,000,000, as specified the Cranston-Gonzalez National Affordable Housing Act. Non-border colonia areas would be an identifiable unincorporated community that is determined to be colonia-like on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act (November 28, 1990). Scoring of all the selection criteria for Non-Border Colonia Fund applications is completed by Tx CDBG staff.

6. Planning And Capacity Building Fund

This fund is available on a biennial basis to assist eligible cities and counties in conducting planning activities that assess local needs, develop strategies to address local needs, build or improve local capacity, or that include other needed planning elements (including telecommunications and broadband needs). All planning projects awarded under this fund must include a section in the final planning document that addresses drought-related water supply

contingency plans and water conservation plans. Applications received by the 2007 program year application deadline were eligible to receive grant awards through a statewide competition for funding from the 2007 and 2008 program year allocations.

A significant increase or decrease to the State's 2008 CDBG allocation may result in corresponding increases or decreases to the 2008 Planning and Capacity Building Fund allocations.

7. Disaster Relief/Urgent Need Fund

Disaster Relief assistance is available through this fund as needed for eligible activities in relief of disaster situations where either the Governor has proclaimed a state disaster declaration or has requested a federal disaster declaration. Tx CDBG may prioritize throughout the program year the use of Disaster Relief assistance funds based on the type of assistance or activity under consideration and may allocate funding throughout the program year based on assistance categories. Depending on the nature and extent of the damage caused by the natural disaster, priority for the use of Tx CDBG funds is the restoration of basic human needs such as water and sewer facilities, housing, and roads.

Urgent Need assistance is contingent upon the availability of funds for activities that will restore water or sewer infrastructure whose sudden failure has resulted in death, illness, injury, or pose an imminent threat to life or health within the affected applicant's jurisdiction. The infrastructure failure must not be the result of a lack of maintenance and must be unforeseeable. As an initial step, Tx CDBG undertakes an assessment of whether the situation is reasonably considered unforeseeable. An application for Urgent Need assistance will not be accepted by the Tx CDBG until discussions between the potential applicant and representatives of the Tx CDBG, the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB) have taken place. Through these discussions, a determination shall be made whether the situation meets Tx CDBG Urgent Need threshold criteria; whether shared financing is possible; whether financing for the necessary improvements is, or is not, available from the TWDB; or that the potential applicant does, or does not, qualify for TWDB assistance. If Tx CDBG funds are still available, a potential applicant that meets these requirements will be invited to submit an application for Urgent Need funds.

To qualify for Disaster Relief funds:

- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Disaster Relief assistance, this means that the application for assistance must be submitted no later than 12 months from the date of the Presidential or Governor's declaration.
- Under Disaster Relief, funds will not be provided under FEMA's Hazard Mitigation Grant Program unless ORCA receives satisfactory evidence that the property to be purchased was not constructed or purchased by the current owner after the property site location was officially mapped and included in a designated flood plain area.
- Each applicant for these funds must demonstrate that adequate local funds are not available, i.e., the entity has less than six months of unencumbered general operations funds available in its balance as evidenced by the last available audit required by state statute, or funds from other state or federal sources are not available to completely address the problem.

- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The distribution of these funds will be coordinated with other state agencies.

To qualify for Urgent Need funds:

- The situation addressed by the applicant must not be related to a proclaimed state disaster declaration or a federal disaster declaration.
- The situation addressed by the applicant must be both unanticipated and beyond the control of the local government.
- The problem being addressed must be of recent origin. For Urgent Need assistance, this means that the situation first occurred or was first discovered no more than 30 days prior to the date that the potential applicant provides a written request to the Tx CDBG for Urgent Need assistance. The Urgent Need Fund will not fund projects to address a situation that has been known for more than 30 days or should have been known would occur based on the applicant's existing system facilities.
- Each applicant for these funds must demonstrate that local funds or funds from other state or federal sources are not available to completely address the problem.
- The distribution of these funds will be coordinated with other state agencies.
- The infrastructure failure cannot have resulted from a lack of maintenance.
- Urgent Need funds cannot be used to restore infrastructure that has been cited previously for failure to meet minimum state standards.
- The infrastructure failure cannot have been caused by operator error.
- The infrastructure requested by the applicant cannot include back-up or redundant systems.
- Tx CDBG will consider whether funds under an existing Tx CDBG contract are available to be reallocated to address the situation.
- The Urgent Need Fund will not finance temporary solutions to the problem or circumstance.

Construction on an Urgent Need fund project must begin within ninety (90) days from the start date of the Tx CDBG contract. The Tx CDBG reserves the right to deobligate the funds under an Urgent Need Fund contract if the grantee fails to meet this requirement.

Each applicant for Urgent Need funds must provide matching funds. If the applicant's 2000 Census population is equal to or fewer than 1,500 persons, the applicant must provide matching funds equal to 10 percent of the Tx CDBG funds requested. If the applicant's 2000 Census population is over 1,500 persons, the applicant must provide matching funds equal to 20 percent of the Tx CDBG funds requested. For county applications where the beneficiaries of the water or sewer improvements are located in unincorporated areas, the population category for matching funds is based on the number of project beneficiaries.

8. Tx CDBG STEP Fund

Funds will be available for grants on a competitive award basis to cities and counties to provide grant assistance to cities and communities recognizing the need and willingness to solve water and sewer problems through the Texas Small Towns Environment Program (STEP) self-help techniques. The program will accept applications two times a year and utilize a competitive process to evaluate, score and award these projects.

Cities and counties receiving 2007 and 2008 Community Development Fund/Community Development Supplemental Fund grant awards for applications that did not include water, sewer, or housing activities are not eligible to receive a 2008 STEP Fund grant award. However, the Tx CDBG will give consideration to a city's or county's request to transfer funds (that are not financing basic human needs activities such as water, sewer, or housing activities) under a 2007 or 2008 Community Development Fund/Community Development Supplemental Fund grant award to finance water and sewer activities that will be addressed through self-help.

The Texas STEP approach to solving water and sewer needs recognizes affordability factors related to the construction and operations/maintenance of the necessary water or sewer improvements and then initiates a local focus of control based on the capacity and readiness of the community's residents to solve the problem through self-help. By utilizing the community's own resources (human, material and financial), the necessary water or sewer construction costs, engineering costs, and related administration costs can be reduced significantly from the cost for the installation of the same improvements through conventional construction methods.

Tx CDBG staff will provide guidance, assistance, and support to community leaders and residents willing to use self-help to solve their water and sewer problems.

Eligible Activities

For the Tx CDBG STEP Fund eligible activities are limited to:

- the installation of facilities to provide first-time water or sewer service
- the installation of water or sewer system improvements
- ancillary repairs related to the installation of water and sewer systems or improvements
- the acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.)
- sewer or water taps and water meters
- water or sewer yard service lines (for low and moderate income persons)
- water or sewer house service connections (for low and moderate income persons)
- plumbing improvements associated with providing water or sewer service to a housing unit
- water or sewer connection fees (for low and moderate income persons)
- rental of equipment for installation of water or sewer
- reasonable associated administrative costs
- reasonable associated engineering services costs

Ineligible Activities

- any activity not described in the preceding ELIGIBLE ACTIVITIES section is ineligible under the Tx CDBG STEP Fund unless the activity is approved by the Texas Community Development Block Grant Program
- temporary solutions, such as emergency inter-connects that are not used on an on-going basis for supply or treatment and back-ups not required by the regulations of the Texas Commission on Environmental Quality.

The Tx CDBG will not reimburse for force account work for construction activities on the STEP project.

Funding Cycle

Applications are accepted two times a year for Texas STEP Funding as long as funds are available. Funds will be divided among the two application periods. After all projects are ranked, only those that can be fully funded will be awarded a grant. There will be no marginally funded grant awards.

The Tx CDBG will not accept an application for STEP Fund assistance until Tx CDBG staff and representatives of the potential applicant have evaluated the self-help process and Tx CDBG staff determine that self-help is a feasible method for completion of the water or sewer project, the community is committed to self-help as the means to address the problem, and the community is ready and has the capacity to begin and complete a self-help project. If it is determined that the community meets all of the STEP criteria then an invitation to apply for funds will be extended to the community and the application may be submitted.

Threshold Criteria

The self-help response to water and sewer needs may not be appropriate in every community. In most cases, the decision by a community to utilize self-help to obtain needed water and sewer facilities is based on the community's realization that it cannot afford even a "no frills" water or sewer system based on the initial construction costs and the operations/maintenance costs (including debt service costs) for water or sewer facilities installed through conventional financing and construction methods.

The following are threshold requirements for the Texas STEP framework. Without all these elements the project will not be considered under the Texas STEP fund:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort;
- 2) readiness—local perception of the problem and the willingness to take action to solve it;
- 3) capacity—manpower including some skills required to solve the problem;
- 4) 40% Savings off of retail price; and
- 5) must be performed predominately by community volunteer workers.

Upon completion of the project, the award recipient will be required to certify that work was performed predominately by community volunteer workers and a minimum of 40 percent savings off of retail prices was maintained (or the savings percentage specified in the application if greater).

Some of the key points staff will review for these thresholds include but are not limited to the following:

- 1) one or more sparkplugs (preferably three)—local leaders willing to both lead and sustain the effort; Leaders that have been identified and agreed on by the community.
 - at least two of the three sparkplugs must be residents and not local officials (local officials may serve as sparkplugs).
 - one should be detailed enough to maintain the paperwork needed for the project.

- one should have some knowledge or skills to lead the self-help effort.
 - And one can have a combination of these skills or just be the motivator and problem solver of the group. These are not absolutes but the best scenario for any project.
- 2) readiness—local perception of the problem and the willingness to take action to solve it;
- a strong local perception of the problem
 - community perception that local implementation is the best and maybe only solution
 - community has confidence that they can do it adequately
 - community has no strong competing priority
 - local government is supportive and understands the urgency
 - public and private willingness to pay additional costs if needed (fees, hook-ups for churches, other)
 - effort and attention have already been given to local assessment of the problem
 - enthusiastic, capable support by the community from the county or regional field staff of the regulatory agency.
- 3) capacity— manpower including some skills required to solve the problem.
- Skilled workers within the community (heavy equipment operation, pipe laying, electrician, plumber, engineer, water operator, construction skills)
 - List of Volunteers by task
 - Possible equipment in community (not a requirement)
 - Letters stating support from local businesses in form of donation of supplies or manpower.
 - Letter from service provider supporting project and agreeing to provide service.
 - CPA Letter documenting that applying locality has financial and management capacity to compete project
- 4) 40% Savings off of retail price.

Documentation of the 40% savings off of the retail price,

- Two engineering break-outs of cost, one that shows the retail construction cost and another that shows the self-help cost and demonstrates the 40% savings.
- Back-up documents of material quotes, pledges of equipment
- List of Volunteers by task
- Determination of appropriate technology and feasibility of project. (letter from engineer)

9. Microenterprise Loan Fund

This fund is available on a semi-annual basis for funding from available program income through a statewide competition. An eligible city or county submits the application and must contract with a non-profit organization (economic development corporation, community development corporation, etc.) for the purpose of establishing a local loan program that directly assists for-profit microenterprise businesses. Proceeds from the repayment of the loans will be retained by the non-profit organization. A microenterprise is a commercial enterprise that has five (5) or fewer employees, one (1) or more of whom owns the enterprise. The microenterprise receiving the loan assistance must commit to creating or retaining jobs that will not exceed a maximum cost of \$25,000 per job. The

jobs created or retained by the microenterprise must principally benefit low and moderate income persons. The funds cannot be used by the microenterprise for debt service, refinancing, or payment of the business owner's salaries. Eligible activities under this fund are:

- Working capital (purchase of raw materials, inventory, rent, utilities, salaries, and others needed for business operations)
- Machinery and equipment (cars and trucks considered rolling stock would not be an eligible use of funds)
- Real estate improvements

10. Small Business Loan Fund

This fund is available on an "as-needed" basis for funding from available program income through a statewide competition. Applications received by the application deadlines are eligible to receive grant awards from available program income. An eligible city or county submits the application for the purpose of supporting for-profit small businesses through a loan meeting a gap financing need. Retention of the proceeds from the repayment of the loans will meet the same requirements for program income that apply to Texas Capital Fund contracts. A small business is a for-profit business with less than one hundred (100) employees. The small business receiving the loan assistance must commit to creating or retaining jobs that will not exceed a maximum cost of \$25,000 per job. The jobs created or retained by the small business must principally benefit low and moderate income persons. The funds cannot be used by the small business for debt service, refinancing, or payment of the business principal's salaries. Eligible activities under this fund are:

- Working capital (purchase of raw materials, inventory, rent, utilities, salaries, and others needed for business operations)
- Machinery and equipment (cars and trucks considered rolling stock would not be an eligible use of funds)
- Real estate improvements

11. Section 108 Loan Guarantee Pilot Program

Section 108 is the loan guarantee provision of the Housing and Community Development Act Community Development Block Grant (CDBG) program. The loan is made by a private lender to an eligible non-entitlement city or county. The United States Department of Housing and Urban Development (HUD) guarantees the loan; however, Tx CDBG must pledge the state's current and future Community Development Block Grant nonentitlement area funds to cover any losses. In order to provide eligible non-entitlement communities an additional funding source, the State is authorizing a loan guarantee pilot program consisting of one application up to a maximum of \$500,000 for a particular project. An application guide containing the submission date and qualifications will be available for applicants interested in being selected as the pilot project under this program.

An eligible non-entitlement city or county would prepare a loan guarantee application for submission to HUD. However, under the State Section 108 program, the following conditions apply:

- a. ORCA will not provide a commitment for an application submitted to HUD for a Section 108 guarantee unless ORCA has reviewed the application, conducted an underwriting analysis, and specifically recommended its approval.

- b. ORCA will charge the eligible non-entitlement city or county receiving the Section 108 loan a non-refundable loan loss reserve fee at the rate of one percent per annum on the principal amount outstanding. The funds from the one percent fee would be used for any debt service payments ORCA would need to pay on account of the loan, or to cover any loan losses, if the recipient does not make its Section 108 loan payments.
- c. The application must be only for an activity eligible under the State Program.
- d. ORCA will require the locality to submit adequate information necessary to track all loan repayments made by any third party borrowers such as assisted businesses;
- e. ORCA will monitor compliance with program requirements.

Eligible Activities

The project must meet a national objective of CDBG Program: (1.) principally benefit low- and moderate-income persons; (2.) aid in the elimination of slums or blight; or (3.) meet other community development needs of particular urgency which represent an immediate threat to the health and safety of residents of the community. In addition, the State program is specifically restricting eligibility to economic development activities eligible under CDBG Program. Other activities eligible under the HUD regulations will not be eligible under the pilot phase of this program.

The maximum repayment period for a Section 108 guaranteed loan under the Tx CDBG will be twenty years.

The Tx CDBG will not establish a funded loss reserve. ORCA anticipates entering into a Reimbursement Agreement with the community providing for recovery of amounts required to be paid by the Tx CDBG. Should the Tx CDBG be required to cover any Section 108 loan payments not made by the recipient of the loan guarantee, it would first use funds that have been collected from the additional one percent per annum fee charged on the loan.

The Section 108 Loan Guarantee Program is authorized under Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308) as part of the Community Development Block Grant Program. Regulations for the program are located in the Code of Federal Regulation at 24 CFR, Part 570, Subpart M.

12. Renewable Energy Demonstration Pilot Program

The TxCDBG will develop a renewable energy pilot program funded solely through deobligated funds / program income for demonstration projects that employ renewable energy for at least 20% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

The priority will be for projects that are connected with providing public facilities to meet basic human needs such as water or waste water. It is anticipated that the projects funded would meet the National Objective of benefiting a "target area" where at least 51 percent of the residents are low and moderate income persons, although the project would be allowed to qualify under other National Objective alternatives. The maximum amount of the project would be \$500,000 and the minimum would be \$50,000.

(One example of a pilot program might be helping rural towns in thirsty West Texas install wind turbines to power desalination plants that would clean up brackish well water and make it drinkable, which at least one university in Texas is developing for a community in Texas.)

The projects will be selected on the following basis (which are assigned points under Section IV(C)(15) of this Action Plan):

- (A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons.
- (B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods.
- (C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.)
- (D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals.
- (E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses.
- (F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – percent of portion of total project receiving TxCDBG funds is leveraged with other funds.
- (G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 and/or counties under 100,000.

C. ALLOCATION OF AVAILABLE FUNDS BY FUND CATEGORY

The U.S. Department of Housing and Urban Development has not yet announced the State's 2008 program year CDBG allocation. The State's 2008 allocation could be lower than the 2007 allocation of \$73,611,737.

The amount available for Tx CDBG assistance will be the 2008 State CDBG allocation amount plus an estimated \$2,000,000 in program income. Funds will be allocated according to the following percentages of the State's 2008 allocation upon the execution of the grant agreement with HUD:

FUND	2008 PERCENT	AMOUNT AVAILABLE
Community Development Fund	40.0	
Community Development Supplemental Fund	21.1	
Non-Border Colonia Fund	0.61 ⁶	
Texas Capital Fund (TCF)	14.51	
Program Income		\$ 2,000,000

ACTION PLAN: Community Development

FUND	2008 PERCENT	AMOUNT AVAILABLE
Colonia Fund		
Colonia Construction Fund	6.84	
Colonia EDAP Fund	2.72	
Colonia Planning Fund	0.44	
Colonia Self-Help Centers Fund	2.50	
Planning And Capacity Building Fund	0.90	
Disaster Relief/Urgent Need Fund		
Disaster Relief Fund	4.10	
Urgent Need Fund	0 ¹	
Tx CDBG STEP Fund	3.14	
Microenterprise Loan Fund	0.00 ²	
Small Business Loan Fund	0.00 ³	
Section 108 Loan Guarantee Pilot Program	0.00 ⁴	
Renewable Energy Demonstration Pilot Program	0.00 ⁵	
Administration - Percentage	2.00	
Administration - \$100,000	0.1358	
Technical Assistance	1.00	

Note: The percentages shown above are based on the State's actual 2007 allocation percentages. Changes to the above percentages may occur if the State's 2008 CDBG allocation is higher or lower than the 2007 allocation of \$73,611,737.

Deobligated funds/program income notes:

- ¹ Deobligated funds and/or program income sufficient to replenish to \$1,000,000 is made available for the Urgent Need Fund on the first day of PY 2008. Based on a Tx CDBG Program determination of respective demand for financial assistance under the Urgent Need and Disaster Need portions of the Disaster Relief/Urgent Need Fund, Urgent Need funds may be used for Disaster Need projects.
- ² Deobligated funds and/or program income sufficient to replenish to \$1,200,000 is made available for the Microenterprise Loan Fund on the first day of PY 2008.
- ³ Deobligated funds and/ or program income not to exceed \$1,000,000 is available for the Small Business Loan Fund. The allocation or portion of the allocation, for Small Business Loan Fund may be allocated to the Microenterprise Loan Fund, and vice versa, based on a Tx CDBG Program determination of respective demand for financial assistance under these funds.
- ⁴ Loan guarantee commitments totaling no more than \$500,000 are authorized.
- ⁵ Deobligated funds and/or program income of \$500,000 is made available on the first day of PY 2008.

The amounts for these fund categories may be adjusted during PY 2008 as needed.

Summary of Activities That Utilize 1% Technical Assistance Funding

Technical Assistance Performed Through the Community Development Program

The Texas Community Development Block Grant Program will conduct numerous on-site technical assistance visits funded with the one percent technical assistance (1% TA) set-aside approved by HUD. These visits will be conducted throughout the year when the Tx CDBG staff recognizes that assistance is needed at the local level or when assistance is requested by the grantees.

Tx CDBG Community Development staff, including ORCA field office staff, will visit localities that are preliminarily recommended for funding to verify information provided in the applications, to view the project sites, to distribute Project Implementation Manuals, and to provide technical assistance regarding the initial Tx CDBG project implementation procedures.

Other technical assistance visits will be conducted with 1% TA funds for special cases dealing with investigations, compliance issues, and to help contractor localities comply with all program requirements.

The 1% TA funds are utilized for a portion of staff salaries which allows Tx CDBG staff to provide greater one-on-one technical assistance to the small communities throughout the contract period.

The Texas Department of Agriculture is using 1% technical assistance funds for on-site technical assistance on the Texas Capital Fund program.

The Texas Department of Housing and Community Affairs is using 1% technical assistance funds for on-site technical assistance on the Colonia Self-Help Centers program.

The Tx CDBG is utilizing the 1% technical assistance funds to introduce, facilitate, and provide community access to the Texas Small Towns Environment Program (Texas STEP) which targets water and wastewater needs. Staff visits localities that are interested in utilizing the Texas STEP method of self-help and provides technical assistance on the development of a financial framework, managing a self-help project and building capacity within a community through self-help.

The Tx CDBG may utilize the 1% technical assistance funds to support Tx CDBG activities related to ORCA's disaster relief efforts. State efforts for response to disasters and the mitigation of the consequences of disasters have required that ORCA dedicate considerable resources for disaster recovery efforts.

In 2008, the Tx CDBG will use a portion of the 1% technical assistance to provide outreach information regarding the CDBG program to local officials of non-entitlement cities and counties. The technical assistance will include information on the application process, program administration, and to improve their capacity to implement a CDBG program.

The 1% technical assistance funds will also be used by each of the 24 State Planning Regions to provide non-project specific technical assistance to cities and counties that are eligible for Tx CDBG funds in each region.

The 1% technical assistance funds may be used to support the operations of the border colonia technical assistance field offices.

The 1% technical assistance funds may be used to support the operations of ORCA' technical assistance field offices in West Texas, South Texas, and East Texas and other ORCA Community Development-related field office activities.

Deobligated Funds, Unobligated Funds, and Program Income

(a) Deobligated funds, unobligated funds and program income generated by Texas Capital Fund projects shall be retained for expenditure in accordance with the Consolidated Plan. Program income derived from Texas Capital Fund projects will be used by the Tx CDBG for eligible Texas Community Development Block Grant Program activities in accordance with the Consolidated Plan.

Any deobligated funds, unobligated funds, program income, and unused funds from this year's allocation or from previous years' allocations derived from any Texas Community Development Block Grant Program Fund, including program income recovered from Texas Capital Fund local revolving loan funds, and any reallocated funds which HUD has recaptured from Small Cities may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects. The selection of eligible projects to receive such funds is approved by the Executive Director and the Executive Committee of ORCA on a priority needs basis with eligible disaster relief and urgent need projects as the highest priority, followed by, any awards necessary to resolve appeals under fund categories requiring publication of contract awards in the *Texas Register*, TCF projects, special needs projects, projects in colonias, housing activities, and other projects as determined by the Executive Director of ORCA. Other purposes or initiatives may be established as a priority use of such funds within existing fund categories by the Executive Committee of ORCA. Should the Tx CDBG be required to make payments to HUD to cover any loan payments not made by any recipient of a Section 108 loan guarantee, it would first use any available deobligated funds.

If a portion of the State's 2008 Community Development Block Grant allocation is rescinded by the federal government, or if the State's 2008 allocation is decreased or increased significantly from the State's 2007 allocation, the Tx CDBG may make corresponding changes within the fund allocation percentages as required.

(b) Re-distribution of Funds Recaptured from Withdrawn Awards. Should the applicant fail to substantiate or maintain the claims and statements made in the application upon which the award is based, including failure to maintain compliance with application thresholds in Section III, F.(1) through F.(4), within a period ending 90 days after the date of the Tx CDBG's award letter to the applicant, the award will be immediately withdrawn by the Tx CDBG (excluding the colonia self-help center awards). Should the applicant fail to execute the Tx CDBG's award contract (excluding Texas Capital Fund and colonia self-help center contracts) within 60 days from the date of the letter transmitting the award contract to the applicant, the award will be withdrawn by the Tx CDBG. For an award that is withdrawn from an application, the Tx CDBG follows different procedures for the use of those recaptured funds depending on the fund category where the award is withdrawn.

(1) Funds recaptured under the Community Development Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(2) Funds recaptured under the Community Development Supplemental Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive an award from the first year regional allocation. Funds recaptured under the Community Development Supplemental Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that region that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year regional allocation. Any funds remaining from the second year regional allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the region as long as the amount of funds still available exceeds the minimum Community Development Supplemental Fund grant amount. Any funds remaining from the second year regional allocation that are not accepted by an applicant from the region or that are not offered to an applicant from the region may be used for other Tx CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section. This process would also apply to an application under the Community Development Supplemental Fund that received a portion of its funds from Community Development marginal funds. The Community Development marginal funds would be provided to the replacement application.

(3) For both the Community Development Fund and Community Development Supplemental Fund (including applications funded with a portion from each of the two funds), if there are no remaining unfunded eligible applications in the region from the same biennial application period to receive the withdrawn funding, then the withdrawn funds may be used for other Tx CDBG fund categories and, if unallocated to another fund, are considered as deobligated funds, subject to the procedures described in paragraph (a) of this section.

(4) Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the first year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive an award from the first year allocation. Funds recaptured under the Planning and Capacity Building Fund from the withdrawal of an award made from the second year of the biennial funding are offered to the next highest ranked applicant from that statewide competition that was not recommended to receive full funding (the applicant recommended to receive marginal funding) from the second year allocation. Any funds remaining from the second year allocation after full funding is accepted by the second year marginal applicant are offered to the next highest ranked applicant from the statewide competition. Any funds remaining from the second year allocation that are not accepted by an applicant from the statewide competition or that are not offered to an applicant from the statewide competition may be used for other Tx

CDBG fund categories and, if unallocated to another fund, are then subject to the procedures described in paragraph (a) of this section.

(5) Funds recaptured under the Colonia Construction Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(6) Funds recaptured under the Colonia Planning Fund from the withdrawal of an award remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(7) Funds recaptured under the Colonia Economically Distressed Areas Program Fund from the withdrawal of an award remain available to potential Colonia Economically Distressed Areas program fund applicants during that program year. Any funds remaining from the program year allocation that are not used to fund Colonia Economically Distressed Areas Program Fund applications within twelve months after the Tx CDBG receives the federal letter of credit would remain available to potential Colonia Program Fund applicants during that program year to meet the 10 percent colonia set-aside requirement and, if unallocated within the colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(8) Funds recaptured under the Non-Border Colonia Fund from the withdrawal of an award remain available to potential Non-Border Colonia Fund applicants during that program year and, if unallocated within the non-border colonia fund, may be used for other Tx CDBG fund categories. Remaining unallocated funds are then subject to the procedures described in paragraph (a) of this section.

(9) Funds recaptured under the program year allocation for the Disaster Relief/Urgent Need Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(10) Funds recaptured under the Small Towns Environment Program (STEP) Fund from the withdrawal of an award will be made available in the next round of STEP competition following the withdraw date in the same program year. If the withdrawn award had been made in the last of the two competitions in a program year, the funds would go to the next highest scoring applicant in the same STEP competition. If there are no unfunded STEP applicants, then the funds would be available for other Tx CDBG fund categories. Any unallocated STEP funds are subject to the procedures described in paragraph (a) of this section.

(11) Funds recaptured under the Microenterprise Loan Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(12) Funds recaptured under the Small Business Loan Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

(13) Funds recaptured under the Texas Capital Fund from the withdrawal of an award are subject to the procedures described in paragraph (a) of this section.

D. PROGRAM INCOME

Program income is defined as gross income received by a state, a unit of general local government or a subrecipient of a unit of general local government that was generated from the use of CDBG funds. When program income is generated by an activity that is only partially funded with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used. Any remaining program income must be used to establish an approved Revolving Loan Fund (RLF) or returned to the State.

The State may use up to the maximum allowable percentage of the amount recaptured and reportable to HUD each year for administrative expenses under the Texas Community Development Block Grant Program. This amount will be matched by the State on a dollar-for-dollar basis.

Program income includes, but is not limited to, the following:

- Payments of principal and interest on loans using CDBG funds
- Proceeds from the sale of loans made with CDBG funds
- Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient with CDBG funds
- Gross income from the use, sale, or rental of real property and/or real property improvements owned by the unit of general local government or subrecipient that was constructed or improved with CDBG funds
- Gross income from the use of infrastructure improvements constructed or improved with CDBG funds
- Funds collected through special assessments, impact fees or other additional fees from benefiting businesses, if the special assessments or fees are used to recover all or part of the CDBG portion of public improvements
- Proceeds from the disposition of equipment purchased with CDBG funds
- Interest earned on funds held in an RLF account

1. Texas Capital Fund Program Income

For program income generated through Texas Capital Fund projects, communities that elect to participate in the recapture of program income for use at the local level through a designated Revolving Loan Fund (RLF) will be limited to receiving one Texas Capital Fund contract award per program year. If a community elects not to participate in the recapture of program income, the community may apply for as many Texas Capital Fund awards as it has eligible projects. This determination must be made at the time of the original award and cannot be changed with subsequent awards.

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a “phase-in period” covering the time period required to bring the RLF cash level into compliance with this new policy for existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state. This section, “Texas Capital Fund Program Income,” replaces the Texas Capital Fund Program Income Sections of the Final Statements for program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995 and affects all TCF local revolving loan funds established by contracts awarded in program years 1989, 1990, 1991, 1992, 1993, 1994, and 1995. The following provisions, however, do not apply: 1) “The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to Tx CDBG approval of an RLFP must be returned to the State.” 2) “...every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived.” 3) “...contract or an RLFP is not submitted for approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state.”

2. Program Income Generated Through Housing Activities

For program income generated through housing activities funded through the Housing Fund or Tx CDBG fund categories other than the Texas Capital Fund, a local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for housing activities principally benefiting low to moderate income persons in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended.

The RLFP must be submitted for approval at least sixty (60) days prior to the termination date of the contract award generating the program income. This requirement shall also apply to 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Housing Fund contract awards. Program income generated by the contract award prior to Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a “phase-in period” covering the

time period required to bring the RLF cash level into compliance with this new policy for existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report the amount of program income recaptured to the state with updates concerning the status of outstanding loans or leases on a quarterly basis, including but not limited to payments received and amendments to the original loan or lease agreement, as required by the Tx CDBG.

If the local government elects not to participate in program income recapture or an RLFP is not approved prior to the contract close-out, then all program income must be returned to the Tx CDBG.

3. Microenterprise Loan Fund Program Income

Program income will be handled in accordance with HUD regulations. Additional guidance will be included in the application guidelines.

4. Small Business Loan Fund Program Income

A local government, electing to retain program income at the local level, must have a Revolving Loan Fund Plan (RLFP) approved in writing by the Tx CDBG, prior to committing and expending any program income. The RLFP shall be approved and must be used for economic development in accordance with Title I of the United States Housing and Community Development Act of 1974, as amended. The RLFP must be submitted for approval no later than six (6) months from the commencement date of the contract. Program income generated by the award prior to the Tx CDBG approval of an RLFP must be returned to the State.

Funds retained in the local RLF must be committed within three years of the original Tx CDBG contract programmatic close date. Every award from the RLF must be used to fund the same type of activity, for the same business, from which such income is derived. A local Revolving Loan Fund (RLF) may retain a cash balance not greater than 33 percent of its total cash and outstanding loan balance. (Tx CDBG may consider a “phase-in period” covering the time period required to bring the RLF cash level into compliance with this new policy for existing RLFs, particularly those with large amounts of cash in the RLF that must be loaned to meet the new requirements.) If the local government does not comply with the local RLF requirements, all program income retained in the local RLF and any future program income received from the proceeds of the RLF must be returned to the State.

Communities electing to retain program income through an approved RLF are required to monitor and report to the State program income account balances reflecting amounts received and disbursed and the status of outstanding loans or leases. Such report should also include information regarding RLF loans, leases, and commitments made.

If the local government elects not to participate in program income recapture, fails to meet all requirements of this section or requirements identified in Section 6 of its TCF/Tx CDBG contract or an RLFP is not submitted for

approval within the first six (6) months from the commencement date of the contract, then all program income must be returned to the state.

APPLICATION INFORMATION

TYPES AND NUMBER OF APPLICATIONS

The following two types of applications are permitted under the Texas Community Development Block Grant Program:

1. Single Jurisdiction Applications

An eligible applicant may submit one application on its own behalf. When certain situations exist, which will be defined in Tx CDBG application guides, an eligible city may submit an application which benefits persons residing inside of the extraterritorial jurisdiction of the city, and a county may submit a single jurisdiction application on behalf of a city. The submitting city or county is accountable to the Tx CDBG for financial compliance and program performance. If a city or county submits a single jurisdiction application, or its residents are the beneficiaries of a single jurisdiction application, then the city or county cannot participate in another single jurisdiction or multi-jurisdiction application for the same funding category. Local accountability cannot be assigned to another party.

An application from an eligible city or county for a project that would primarily benefit another city or county that was not meeting the Tx CDBG application threshold requirements would be considered ineligible.

2. Multi-Jurisdiction Applications

Multi-Jurisdiction applications will be accepted from two or more eligible units of general local government where the application clearly demonstrates that the proposed activities will mutually benefit the residents of the city(ies)/county(ies) applying for such funds. One of the participating units of general local government must be designated to act as the authorized applicant for the multi-jurisdiction application and the authorized applicant is accountable to the Tx CDBG for financial compliance and program performance; however, all entities participating in the multi-jurisdiction application will be accountable for application threshold compliance. A multi-jurisdiction application generally cannot be submitted solely on the basis of administrative convenience. Any city or county participating in a multi-jurisdiction application may not submit a single jurisdiction application for the same funding category.

Under the Community Development Fund regional competitions, a multi-jurisdiction application that includes participating units of general local government from more than one state planning region will compete in the regional competition where the majority of the application activity beneficiaries are located.

APPLICATION CYCLES

Since this is the second year of the biennial submission cycle of various funds with 2007 biennial cycles, the 2008 cycle for these biennial funds must remain unchanged. The biennial funding cycles for these fund categories will improve the timeliness of the expenditure of CDBG funds and therefore prove more cost effective.

The following table summarizes the proposed frequency of application submission for various application types. The application deadline dates are subject to change:

TYPE OF APPLICATION	SUBMISSION CYCLE	APPLICATION DEADLINE
1. Community Development Fund	Biennial ¹	September and December 2006
2. Community Development Supplemental Fund	Biennial	September and December 2006
3. Non-Border Colonia Fund	Biennial	December 2006
4. Texas Capital Fund		
Real Estate Program	Four times annually	
Infrastructure Program	Four times annually	
Main Street Program	Annually	
Downtown Revitalization Program	Annually	
5. Colonia Fund:		
Construction Fund	Biennial	December 2006
EDAP Fund	As-needed	
Planning Fund	Annually	August 2007
6. Planning/Capacity Building Fund	Biennial ¹	September and December 2006
7. Disaster Relief/Urgent Need Fund:		
Disaster Relief	As needed	
Urgent Need	By notification	
8. Tx CDBG STEP Fund	Two times annually	
9. Microenterprise Loan Fund	Two times annually	
10. Small Business Loan Fund	As needed	
11. Section 108 Loan Guarantee Pilot Program	Annually	
12. Renewable Energy Demonstration Pilot Program	As announced, at least once annually.	

¹ The applications submitted for the program year 2008 Community Development Fund, Community Development Supplemental Fund, and Planning and Capacity Building Fund as part of the 2007/2008 biennial application process were scored and ranked. Applications will be funded to the extent that allocated 2008 funds are available. Applications submitted for the Colonia Construction Fund and Non-Border Colonia Fund will be scored and ranked. The final 2007 program year rankings under the Community Development Fund, Community Development Supplemental Fund, Planning and Capacity Building Fund, Colonia Construction Fund and Non-Border Colonia Fund will also be used to determine the 2007 applicants that are selected for funding from the 2008 program year allocations. Only one application may be submitted for the combined 2007 program year and 2008 program year period under the Community Development Fund/Community Development Supplemental Fund, Colonia Construction Fund, Non-Border Colonia Fund, and the Planning and Capacity Building Fund. Since applications are considered concurrently under both the Community Development and Community Development Supplemental Funds to determine the source of funds, only one Community Development Fund/Community Development Supplemental Fund application may be submitted for the 2007/2008 period (not one application for each fund).

C. CONTRACT AWARDS

With the qualified exceptions of the Texas Capital Fund, Colonia Fund, Non-Border Colonia Fund, and Disaster Relief/Urgent Need Fund, an applicant is eligible to receive only one grant award per fund. Maximum and minimum contract awards for any single project allowable under the Texas Community Development Block Grant Program are:

FUND	CONTRACT AWARD	
	MAXIMUM	MINIMUM
Community Development Fund		
Single Applicant	\$ 800,000 ¹	\$ 75,000 ¹
Multi-Jurisdiction Application	\$ 800,000 ¹	\$ 75,000 ¹
Community Development Supplemental Fund	1	1
Non-Border Colonia Fund	\$ 250,000	None
Texas Capital Fund		
Real Estate Program	\$ 750,000 ²	\$ 50,000
Infrastructure Program	\$ 750,000 ²	\$ 50,000
Main Street Program	\$ 150,000 ³	\$ 50,000
Downtown Revitalization Program	\$ 150,000 ³	\$ 50,000
Colonia Fund		
Construction Fund	\$ 500,000	\$ 75,000
EDAP Fund	\$ 500,000	None
Area Planning Fund	\$ 100,000 ⁴	None
Comprehensive Planning Fund	\$ 200,000 ⁴	None
Planning/Capacity Building Fund	\$ 50,000	None
Disaster Relief/Urgent Need Fund		
Disaster Relief Fund	\$ 350,000	\$ 50,000
Urgent Need Fund	\$ 250,000	\$ 25,000
Tx CDBG STEP Fund	\$ 350,000	None
Microenterprise Loan Fund	\$ 100,000	\$ 50,000

Small Business Loan Fund	\$ 150,000	\$ 50,000
Section 108 Loan Guarantee Pilot Program	\$ 500,000	\$ 400,000
Renewable Energy Demonstration Pilot Program	\$ 500,000	\$ 50,000

- ¹ Regional Review Committees are authorized to establish a grant maximum for their respective regions between \$250,000 and \$800,000 for a single jurisdiction application and between \$350,000 and \$800,000 for a multi-jurisdiction application. The maximum amount for a housing activity application is the same as other Community Development Fund applications in the region. The maximum and minimum amounts for the Community Development Supplemental Fund are the same maximum and minimum amounts established for the Community Development Fund in the region.

- ² The maximum contract award amount allows for administrative costs as outlined in the Texas Capital Fund Application Guidelines. The maximum award amount may be increased to an amount greater than \$750,000, but may not exceed \$1,000,000, if a unit of local government is applying for an award to provide infrastructure or real estate development improvements on behalf of a specific business, and that specific business will create or retain a designated number of jobs at a cost per job level that qualifies for the increased award amount. These increased award amounts are referred to as “jumbo” awards. The number of jobs, the cost per job, and the maximum percentage of Texas Capital Fund financing of the total project costs that will qualify an application for the increased award amount will be defined in Texas Capital Fund Application Guidelines. Texas Capital Funds are not specifically reserved for projects that could receive up to the \$1,000,000 increased maximum grant amount, however, projects that receive an amount greater than \$750,000 may not exceed \$2,000,000 in total awards during the program year.

- ³ Texas Capital Funds are specifically reserved for Main Street and the Downtown Revitalization infrastructure activities. The maximum award amount for a Main Street or Downtown Revitalization project is \$150,000. Main Street Program projects may not exceed \$600,000 in total awards. The Downtown Revitalization Program projects may not exceed \$1,200,000 in total awards.

- ⁴ For the Colonia Planning Fund thirty-three percent (33%) of the total allocation is allocated to the Colonia Area Planning Fund and sixty-seven percent (67%) is allocated to the Colonia Comprehensive Planning Fund. Any unobligated funds under either of these two funds may be allocated to the other Colonia Planning Fund category, the Colonia Construction Fund, the Planning/Capacity Building Fund, or other Tx CDBG Fund categories if necessary to use the funds within the required obligation period. The maximum grant award for the Colonia Comprehensive Planning Fund is set at \$200,000. However, a sliding scale may be used to establish smaller maximum grant amounts based on an eligible county’s total unincorporated area population.

Amounts shown are maximum funding levels or contract "ceilings," since the Program can fund only the actual, allowable, and reasonable costs of the proposed project, not to exceed these amounts. All grants, except Texas Capital Fund, awarded under the Texas Community Development Block Grant Program are subject to negotiation between ORCA and the applicant regarding the final grant amount. Texas Capital Fund applications are subject to negotiation between the Texas Department of Agriculture and the applicant regarding the final award amount.

Project Length

All funded projects, except the Texas Capital Fund, Tx CDBG STEP Fund, and Colonia Self-Help Centers Fund projects, must be completed within two years from the start date of the contract agreement. The Texas Capital Fund Main Street and Downtown Revitalization program awards will be made for a twenty-four (24) month term. The other Texas Capital Fund programs and Tx CDBG STEP Fund projects must be completed within three years from the start date of the contract agreement. Contract end dates for Colonia Self-Help Centers contracts may be adjusted to account for each program year award. Waivers through a contract amendment of these requirements for any Tx CDBG contract will only be granted when a waiver request is submitted in writing to ORCA or TDA (for Texas Capital Fund contracts) and ORCA or TDA finds that compelling circumstances exist outside the control of the local government that justify the approval of such a waiver.

REVIEW PROCESS

1. Regional Review Committees (RRC) - Composition and Role

There is a Regional Community Development Review Committee in each of the 24 state planning regions. Each committee will be comprised of 12 members appointed for two-year staggered terms by the Governor.

Each Regional Review Committee reviews and scores all applications within its region for the Community Development Fund/Community Development Supplemental Fund. Furthermore, the Regional Review Committees do not score but may review and comment on applications to other Tx CDBG fund categories. The scores for the Community Development Fund/Community Development Supplemental Fund and comments on other applications are forwarded to the Tx CDBG.

2. State Review Committee (SRC) - Composition and Role

A State Community Development Review Committee comprised of 12 local elected officials appointed by the Governor for two-year terms is provided for by State statute. Chapter 487.353 of the Texas Government Code prescribes the duties of the State Review Committee. Paragraph (i) states the committee shall: (1) consult with and advise the executive director on the administration and enforcement of the community development block grant program; and (2) review funding applications of eligible counties and municipalities, and advise and assist the executive director regarding the allocation of program funds to those applicants. Paragraph (j) says the committee may annually recommend to the executive director a formula for allocating funds to each geographic state planning region.

3. Texas Capital Fund Review Process

The Texas Capital Fund applications will be reviewed and evaluated by Texas Department of Agriculture staff in accordance with the established selection criteria. Recommendations will be made to the Commissioner of the Texas Department of Agriculture for final award.

4. Clearinghouse Review

Regional review of projects will be consistent with guidelines adopted by the Governor's Office for review and comment under the Texas Review and Comment System and Chapter 391, Texas Local Government Code.

5. Regional Water Plans

Water activities included in Tx CDBG applications must be consistent with Regional Water Plans promulgated by Senate Bill 1. (Passed during the 75th State of Texas Legislative Session)

Applicant Threshold and Past Performance Requirements

A city or county must meet the following requirements in order to submit an application or to receive funding through the Texas Community Development Block Grant Program:

1. Demonstrate the ability to manage and administer the proposed project, including meeting all proposed benefits outlined in its application, by using the following criteria:
 - a. Provide the roles and responsibilities of local staff designated to administer or work on the proposed project. Also, include a plan of project implementation;
 - b. Indicate intention to use a third-party administrator, if applicable; or
 - c. If local staff, along with a third-party administrator, will jointly administer the proposed project, the respective roles and responsibilities of the designated local staff.
2. Demonstrate the financial management capacity to operate and maintain any improvements made in conjunction with the proposed project, by using the following criteria:
 - a. Evidence of a financial person on staff, or evidence of intent to contract financial oversight; and
 - b. Provide evidence or a statement certifying that financial records for the proposed project will be kept at an officially designated city/county site, accessible by the public, and will be adequately managed on a timely basis using generally accepted accounting principles.
3. Levy a local property (ad valorem) tax or local sales tax option.
4. Demonstrate satisfactory performance on all previously awarded Texas Community Development Block Grant Program contracts, by using the following criteria:
 - a. Exhibited past responses to audit and monitoring issues (over the most recent 48 months before the application due date) within prescribed times as indicated in ORCA's resolution letter(s);
 - b. Evidence related to past contracts (over the most recent 48 months before the application due date), through close-out monitoring and reporting, that the activity or service was made available to all intended beneficiaries, that low and moderate income persons were provided access to the service, or there has been adequate resolution of issues regarding beneficiaries served.
 - c. No outstanding delinquent response to a written request from Tx CDBG regarding a request for repayment of funds to Tx CDBG; or

- d. Not more than one outstanding delinquent response to a written request from Tx CDBG regarding compliance issues such as a request for closeout documents or any other required information.
- 5. Resolve any and all outstanding compliance and audit findings on previous and existing Texas Community Development Block Grant Program contracts, by using the following criteria:
 - a. Applicant is actively participating in the resolution of any outstanding audit and/or monitoring issues by responding with substantial progress on outstanding issues within the time specified in the ORCA resolution process.
- 6. Submit any past due audit to ORCA in accordance with Title 10, Chapter 255, Subchapter A, Section 255.1 of the Texas Administrative Code.
 - a. A community with one year's delinquent audit may be eligible to submit an application for funding by the established deadline, but may not receive a contract award if the audit continues to be delinquent by the awards meeting of the State Review Committee, as applicable, or for all other funding categories, prior to award by the Executive Director or by the Executive Committee for awards over \$300,000.

The Colonia Self-Help Center Fund and the Disaster Relief/Urgent Need Fund are exempt from the threshold.

- b. A community with two years of delinquent audits may not apply for additional funding and may not receive a contract award. This applies to all funding categories under the Texas Community Development Block Grant Program.

The Colonia Self-Help Center Fund may be exempt from this threshold, since funds for the self-help center funding is included in the program's state budget appropriation. Failure to meet the threshold will be reported to the Texas Department of Housing and Community Affairs for review and recommendation.

7. 12-Month Applicant Threshold Requirement

Obligate at least fifty percent (50%) of the total Tx CDBG funds awarded under an open Tx CDBG contract within twelve (12) months from the start date of the contract or prior to the application deadlines and have received all applicable environmental approvals from Tx CDBG covering this obligation. This threshold is applicable to Tx CDBG contracts with an original 24-month contract period.

To meet this threshold, 50% of the Tx CDBG funds must be obligated through executed contracts for administrative services, engineering services, acquisition, construction, materials purchase, etc. The Tx CDBG contract activities do not have to be 50% completed, nor do 50% of the Tx CDBG contract funds have to be expended to meet this threshold.

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories

Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund

Community Development Fund
 Community Development Supplemental Fund
 Colonia Construction Fund
 Colonia Fund Planning
 Disaster Relief / Urgent Need Fund
 Planning/Capacity Building Fund
 Non-Border Colonia Fund

Texas Capital Fund
 Colonia Self-Help Centers Fund
 Housing Rehabilitation Fund
 Housing Infrastructure Fund
 Texas STEP
 Colonia Economically Distressed Areas
 Disaster Recovery Initiative
 Young vs. Martinez
 Microenterprise Loan Fund
 Small Business Loan Fund
 Section 108 Loan Guarantee

8. 24-Month Applicant Threshold Requirement

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold will apply to an open Tx CDBG contract with an original 24-month contract period and to Tx CDBG Contractors that have reached the end of the 24-month period prior to the application deadlines as described below:

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories

Community Development Fund
 Community Development Supplemental Fund
 Colonia Construction Fund
 Colonia Fund Planning
 Disaster Relief / Urgent Need Fund
 Planning/Capacity Building Fund
 Non-Border Colonia Fund

Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund

Texas Capital Fund
 Colonia Self-Help Centers Fund
 Housing Rehabilitation Fund
 Housing Infrastructure Fund
 Texas STEP (original 24-month contract, extended to 36-months)
 Colonia Economically Distressed Areas
 Disaster Recovery Initiative
 Young vs. Martinez
 Microenterprise Loan Fund
 Small Business Loan Fund
 Section 108 Loan Guarantee

9. 36-Month Applicant Threshold Requirement

Submit to ORCA the Certificate of Expenditures (COE) report showing the expended Tx CDBG funds and a final drawdown for any remaining Tx CDBG funds as required by the latest edition of the Texas Community Development Block Grant Program Project Implementation Manual. Any reserved funds on the COE must be approved in writing by Tx CDBG staff.

For purposes of meeting this threshold “expended” means that the construction and services covered by the Tx CDBG funds are complete and a drawdown for the Tx CDBG funds has been submitted prior to the application deadlines.

This threshold is applicable for a previously awarded Tx CDBG contract with an original 36-month contract period or a STEP 24-month contract, extended to 36 months, and to Tx CDBG Contractors that have reached the end of the 36-month period prior to the application deadlines as described below:

Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories

Texas STEP (original 36-month contract or original 24-month contract, extended to 36 months)

Not Applicable to previously awarded Tx CDBG contracts under the following Tx CDBG fund categories or when an applicant meets the eligibility criteria for the Tx CDBG Disaster Relief Fund

Texas Capital Fund (see Texas Capital Fund Section)
Colonia Self-Help Centers Fund
Housing Rehabilitation Fund
Colonia Economically Distressed Areas
Disaster Recovery Initiative
Young vs. Martinez
Microenterprise Loan Fund
Small Business Loan Fund
Section 108 Loan Guarantee

10. Tx CDBG funds cannot be expended in any county that is designated as eligible for the Texas Water Development Board Economically Distressed Areas Program unless the county has adopted and is enforcing the Model Subdivision Rules established pursuant to Section 16.343 of the Water Code.

11. Texas Capital Fund contractors must expend all but the reserved audit funds, or other reserved funds that are pre-approved by Texas Department of Agriculture staff, awarded under a Texas Capital Fund contract executed at least 36 months prior to the current program year application deadline and submit to the Texas Department of Agriculture the Certificate of Expenditures required by the most recent edition of the Texas Capital Fund Implementation Manual. Texas Capital Fund contractors intending to submit a new application

may not have an existing contract with an award date in excess of 48 months prior to the application deadline date, regardless of extensions granted.

12. Based on a pattern of unsatisfactory (a.) performance on previously awarded Texas Community Development Block Grant Program contracts, (b.) management and administration of Tx CDBG contracts, or (c) financial management capacity based on a review of official financial records and audits, ORCA (or TDA, in the case of the Texas Capital Fund applications) may determine that an applicant is ineligible to apply for Tx CDBG funding even though at the application date it meets the threshold and past performance requirements. ORCA (or TDA, in the case of Texas Capital Fund applications) will consider the most recent 48 months before the application due date. An applicant would still remain eligible for funding under the Disaster Fund.

APPLICATION SELECTION CRITERIA

GENERAL DESCRIPTION

All projects under the Community Development Fund, Colonia Fund (except for the Colonia Economically Distressed Areas Program Fund and Colonia Self-Help Centers Fund), Non-Border Colonia Fund, and the Planning And Capacity Building Fund are evaluated and rated in accordance with a numerical point system based on the following three major criteria:

- (1) community/economic distress factors of the applicant
- (2) project impact/design
- (3) other considerations

The points awarded under these criteria are combined to rank the projects in descending order. The projects in each fund are selected based on this descending order and the availability of dollars in each fund. For the Community Development Fund, the points under these criteria are divided between the Tx CDBG (350 points) and each of the 24 Regional Review Committees (350 points). For the statewide and regional competitions, the Tx CDBG staff scores the project impact/design factors.

In the event that one or more of the following occur, the TxCDBG staff will re-score the 2008 applications based on the TxCDBG scoring criteria established as the state's scores under section IV (C)(1)(a-e) of the 2007 Action Plan:

1. HUD does not accept the revised RRC scoring system described in the 2009 Action Plan.
2. RRC fails to approve an objective scoring methodology for the 2009-2010 biennial competition to the satisfaction of ORCA.

The TxCDBG will award 2008 funds for a region after its RRC has adopted an objective scoring as described in the 2009 Action Plan. In the event the RRC does not adopt objective scoring for PY 2009, TxCDBG will award PY 2008 funds for a region after the region's applications have been re-scored using the State scoring method as described above.

Texas Capital Fund Real Estate Program, and Infrastructure Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Jobs
- (2) Business Emphasis

- (3) Feasibility
- (4) Community Need

Texas Capital Fund Main Street Program and Downtown Revitalization Program projects are evaluated based upon selection criteria that include, but are not limited to:

- (1) Community Profile
- (2) Project Feasibility
- (3) Leverage Ratio
- (4) Aiding in the Elimination of Slum an/or Blight Conditions

The final assignment of points for an applicant to the Community Development Fund, Colonia Fund, Non-Border Colonia Fund, or the Planning And Capacity Building Fund is the total of the points received in the above-mentioned criteria. All funding recommendations for the PY 2007 and PY 2008 Community Development Fund, Community Development Supplemental Fund, and Planning And Capacity Building Fund are provided to the State Review Committee for their recommendations. In addition, a grant award exceeding \$300,000 is reviewed by the ORCA Executive Committee and must receive Executive Committee approval before the award is official. Awards are then provided to ORCA's Executive Director for final award.

Except for Main Street Program applications, Texas Capital Fund applications are reviewed and evaluated by Texas Department of Agriculture staff. The Texas Department of Agriculture staff and the Texas Historical Commission review and evaluate the Main Street Program applications. Recommendations for all Texas Capital Fund applications will be made to the Commissioner of the Texas Department of Agriculture for final award.

In accordance with Section 2310.403, Government Code, preference will be given to applications from governing bodies of communities designated as defense economic readjustment zones over other eligible applications for Tx CDBG grants and loans if at least fifty percent (50%) of the grant or loan will be expended for the direct benefit of the readjustment zone and the purpose of the grant or loan is to promote Tx CDBG-eligible economic development in the community or for Tx CDBG-eligible construction, improvement, extension, repair, or maintenance of Tx CDBG-eligible public facilities in the community.

Disaster Relief/Urgent Need applications must meet the threshold factors as discussed under the "Description of Funds" section.

Readiness to Proceed Requirements: In order to determine that the project is ready to proceed, the applicant must provide in its application information that:

- a. Identifies the source of matching funds and provides evidence that the applicant has applied for the non-local matching funds, and for local matching funds, evidence that local matching funds would be available.
- b. Provides written evidence of a ratified, legally binding agreement, contingent upon award, between the applicant and the utility that will operate the project for the continual operation of the utility system as proposed in the application. For utility projects that require the applicant or service provider to obtain a Certificate of Convenience and Necessity for the target area proposed in the application, provides written evidence that the Texas Commission on Environmental Quality has received the applicant or service provider's application.

c. Where applicable, provide a written commitment from service providers, such as the local water or sewer utility, stating that they will provide the intended services to the project area if the project is constructed.

Any applicant's cash match included in the Tx CDBG contract budget may not be obtained from any person or entity that provides contracted professional or construction-related services (other than utility providers) to the applicant to accomplish the purposes described in the Tx CDBG contract, in accordance with 24 CFR Part 570.

Resources for Descriptions of Selection Criteria by Fund Category

Starting on the next page, the descriptions for the selection criteria for each fund category provide a basic framework of the selection criteria and selection factors used to distribute the funds under each fund category. Additional information on the selection criteria, selection factors and methods used to determine scores for these fund categories is provided in the application guide for each fund category and in the Texas Administrative Code at 10 T.A.C., Part 6, Chapter 255, Subchapter A. Community Development Fund and Community Development Supplemental Fund applications are scored by Tx CDBG Staff and by Regional Review Committees. The selection criteria, selection factors and methods used by each Regional Review Committee to determine scores for the Community Development Fund/Community Development Supplemental Fund are adopted by each Regional Review Committee and then made available to each eligible applicant in the region.

The information currently available for fund categories in the Texas Administrative Code may not yet reflect changes to selection criteria contained in this 2008 Action Plan for the 2008 program year. Any changes to the selection criteria will be published in the *Texas Register* prior to final adoption.

The Texas Administrative Code can be found on the Texas Secretary of State website at www.sos.state.tx.us. Listed below are the Tx CDBG fund categories that are currently contained in the Texas Administrative Code.

Texas Administrative Code, Title 10 T.A.C., Part 6, Chapter 255, Subchapter A

Section	Section Title
255.1	General Provisions
255.2	Community Development Fund
255.3	Young v. Martinez Fund
255.4	Planning/Capacity Building Fund
255.5	Disaster Relief Fund
255.6	Urgent Need Fund
255.7	Texas Capital Fund
255.8	Regional Review Committees
255.9	Colonia Fund
255.10	Housing Fund
255.11	Small Towns Environment Program Fund
255.12	Microenterprise Loan Fund
255.13	Small Business Loan Fund
255.14	Section 108 Loan Guarantee Pilot Program
255.15	Community Development Supplemental Fund

ACTION PLAN: Community Development

Section	Section Title
255.16	Non-Border Colonia Fund

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Description of Selection Criteria by Fund Category

1. COMMUNITY DEVELOPMENT FUND	700 Total Points Maximum
--------------------------------------	---------------------------------

a. Community Distress -- 55 Points (Maximum)

- | | |
|---|-----------|
| • Percentage of persons living in poverty | 25 points |
| • Per Capita Income | 20 points |
| • Unemployment Rate | 10 points |

b. Benefit To Low/Moderate-Income Persons -- 40 Points (Maximum)

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 40 points.

c. Project Impact -- 0 - 175 Points (Maximum)

Information submitted in the application or presented to the Regional Review Committees is used by a committee composed of Tx CDBG staff to generate scores on the Project Impact factor.

Each application is scored by a committee composed of Tx CDBG staff. Each committee member separately evaluates an application and assigns a score within a predetermined scoring range based on the application activities. The separate scores are then totaled and the application is assigned the average score. The scoring ranges used for Project Impact scoring are:

ACTIVITIES	SCORING RANGE
• Water, Sewer, and Housing	175 - 145
• Eligible Public Facilities Located In A Defense Economic Readjustment Zone	175 - 145
• Street Paving, Drainage, Flood Control and Accessibility Activities for Persons With Disabilities	160 - 130
• Fire Protection, Health Clinics, and Facilities Providing Shelter For Persons With Special Needs (Hospitals, Nursing Homes, Convalescent Homes)	145 - 125
• Community/Senior/Social Services Centers	135 - 115
• Demolition/Clearance, Code Enforcement	135 - 115
• Gas/Electrical Facilities and Solid Waste Disposal	130 - 110
• Access to Basic Telecommunications	125 - 105
• Jails, Detention Facilities	125 - 105

SCORING

ACTIVITIES

RANGE

-
- All Other Eligible Activities

115 - 85

Multi-activity projects which include activities in different scoring ranges receive a combination score within the possible range. As an example, a project including street paving and demolition/clearance activities is scored within a range of 160-115. If the project included a water activity also, the possible range would be 175-115.

Other factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

- Each application is scored based on how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction.
- Projects addressing basic human needs such as water, sewer, and housing generally are scored higher than projects addressing other eligible activities.
- Projects providing a first-time public facility or service generally receive a higher score than projects providing an expansion or replacement of existing public facilities or services.
- Public water and sewer projects providing a first-time public facility or service generally receive a higher score than other eligible first-time public facility or service projects.
- Projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally also given additional consideration.
- For water and sewer projects addressing state regulatory compliance issues, the extent to which the issue was unforeseen.
- Projects designed to address drought-related water supply problems are generally also given additional consideration.
- Water and sewer projects providing first-time water or sewer service through a privately-owned for-profit utility or an expansion/improvement of the existing water or sewer service provided through a privately-owned for-profit utility may, on a case-by-case basis, receive less consideration than the consideration given to projects providing these services through a public nonprofit organization.
- Projects designed to conserve water usage may be given additional consideration.
- Water and sewer projects from applicants that demonstrate a long term commitment to reinvestment in the system and sound management of the system may be given additional consideration (including those that have remained in compliance with health and TCEQ system requirements).
- Consideration will be given to those water and sewer systems that have agreed to undertake improvements to their systems at TCEQ's recommendation but are not under an enforcement order because of this agreement.
- Projects that consider ORCA's Community Viability Index in establishing the issues to be addressed.
- Projects that use renewable energy technology for not less than 10% of the total energy requirements, (excluding the purchase of energy from the electric grid that was produced with renewable energy).

d. Matching Funds -- 60 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 60 points
- Match at least 4% but less than 5% of grant request 40 points
- Match at least 3%, but less than 4% of grant request 20 points
- Match at least 2%, but less than 3% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 60 points
- Match at least 7.5% but less than 10% of grant request 40 points
- Match at least 5%, but less than 7.5% of grant request 20 points
- Match at least 2.5%, but less than 5% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 60 points
- Match at least 11.5% but less than 15% of grant request 40 points
- Match at least 7.5%, but less than 11.5% of grant request 20 points
- Match at least 3.5%, but less than 7.5% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 60 points
- Match at least 15% but less than 20% of grant request 40 points
- Match at least 10%, but less than 15% of grant request 20 points
- Match at least 5%, but less than 10% of grant request 10 points
- Match less than 5% of grant request 0 points

Tx CDBG funds cannot be used to install street/road improvements in areas that are not currently receiving water or sewer service from a public or private service provider unless the applicant provides matching funds equal to at least fifty percent (50%) of the total construction cost budgeted for the street/road improvements. This requirement will not apply when the applicant provides assurance that the street/road improvements proposed in the application will not be impacted by the possible installation of water or sewer lines in the future because sufficient easements and rights-of-way are available for the installation of such water or sewer lines.

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county

applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities and are counted towards the ratio of local match to Tx CDBG funds requested. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

e. Other Considerations -- 20 Points (Maximum)

Ten (10) points of the 20 points are awarded to each applicant that did not receive a 2005 or 2006 Community Development Fund contract award.

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

f. Regional Review Committee (RRC) -- 350 Points (Maximum)

- Project Priorities 100 points (Minimum)
- Local Effort 75 points (Minimum)
- Merits of the Project 175 points (Maximum)

In general, the RRC must establish the method its members will use to score each of the three factors, consistent with HUD regulations as determined by Tx CDBG. The method must be described in the RRC Guidelines and made available to communities in the region for use in preparing applications.

Housing - Each region is encouraged to allocate eight percent (8%) %, or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities.

(i) Project Priorities -- (100 Points Minimum for Highest Priority Level)

The RRC must establish in the RRC Guidelines the priorities of project activities and the specific number of points that will be awarded for each priority level.

(ii) Local Effort -- (75 points Minimum)

Under the Local Effort category, the RRC reviews and scores based on efforts being made by applicants in utilizing local resources for community development. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the local ad valorem (property) tax rate? (including for counties the base rate and combined rates.)
2. What is the delinquency rate for the property tax for a specific time period?
3. What are the current tax rates levied by taxing districts in the jurisdiction and which taxes affect the proposed project area?
4. What is the total tax rate as of a certain date (from all jurisdictions) paid by the applicant's residents and the residents in the proposed project area?
5. When was the last tax rate or property valuation increase for the applicant's jurisdiction, including the project area?
6. Does the applicant levy the local sales tax option, 4A sales tax, 4B sales tax, or other local sales? If so, what is the tax rate(s) and the amount of sales tax revenue collected during previous 12 months?
7. What is the applicant's per capita bond (bond and long-term debt) indebtedness for principal only? For principal and interest? (Based on 2000 Census data as available)
8. What are the applicant's water and sewer rates (including residential rates) for the project area?

9. What would a household with 5,000 gallon/month usage pay in water and sewer bills (based on residential rates in the project area)?
10. When was the last increase in water and/or sewer rates (including residential rates) for the project area?
11. Historically, has the applicant or applicable utility funded improvements with local funds, bond debt, long-term debt, or grants?
12. Who provides the utilities in the project area?
13. What is the unencumbered reserve and how much was reserved for particular projects at the end of the last fiscal year?
14. Is there any information not specifically requested that the applicant would like to present to the Committee concerning their efforts locally?

(iii). Merits of the Project -- (175 Points Maximum)

The RRC awards points based on the merits of the project, particularly the severity of need of the project. This factor would not consider local effort, which is scored under the preceding factor. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the severity of the need for this project?
2. To what extent will this project resolve the problem?
3. Does the project appear to be the most feasible method of addressing the problem?
4. Does this project address the problem for only a small target area or for the entire community?
5. Is there an alternate method for the applicant to solve the problem, (i.e., has the applicant sought funding from other sources such as state and federal agencies)?
6. What is the cost in Tx CDBG dollars requested per beneficiary?
7. Has this project been submitted in the past?
8. Is there a clearly identified substantial "self-help" component provided for in the project (i.e., 10 percent or more of the total project costs)?

(iv) The committee must establish, as part of the organizational meeting, a scoring methodology for each of the selection factors listed under Local Effort and Merits of the Project consistent with HUD regulations, as determined by Tx CDBG. The scoring procedure must prescribe the method of documenting the committee member's score. The RRC may (A) further subdivide the broad selection factors/categories into smaller categories/increments and provide additional detail in the RRC scoring for the Local Effort and Merits of the Project; (B) select certain "Key questions/Considerations/Factors" that can be used to evaluate the broad selection factor/category and develop a specific number of scoring ranges, including a scoring range for Yes/No answers, or (C) a combination of A and B, which includes a subdivision of the categories into smaller increments and key questions/considerations with specific scoring ranges. Factors selected must be unambiguous in the method of scoring them. As part of the process, the committee must retain documentation showing how each committee member awarded points under this factor and provide a copy of this documentation to the Tx CDBG.

The RRC is encouraged to assess the regional housing needs and the manner of determining that housing needs are addressed and appropriately considered as part of the review and scoring process. The RRC must determine at

its organizational meeting whether it will have a housing set-aside and include the decision and amount of housing set-aside in the RRC Guidelines.

Each Regional Review Committee must score all of the three (3) required scoring factors.

Community Development Fund Marginal Competition

Due to the two-year funding cycle proposed for program years 2007 and 2008, a Community Development Fund pooled marginal competition was not conducted for program year 2007. A pooled marginal competition may be conducted for program year 2008 using available funds if the State's 2008 allocation is not decreased significantly from the State's estimated 2008 Community Development/Community Development Supplemental Funds allocations.

All applicants whose marginal amount available is under \$75,000 will automatically be considered under this competition.

When the marginal amount left in a regional allocation is equal to or above the Tx CDBG grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Alternatively, such marginal applicants may choose to compete under the pooled marginal fund competition for the possibility of full project funding.

This fund consists of all regional marginal amounts of less than \$75,000, any funds remaining from regional allocations where the number of fully funded eligible applicants does not utilize a region's entire allocation and the contribution of marginal amounts larger than \$75,000 from those applicants opting to compete for full funding rather than accept their marginal amount.

The scoring factors used in this competition are the Tx CDBG Community Development Fund scoring factors (maximum of 350 points). Applicants' scores on the Community Distress scoring factors will be recalculated based on the applicants competing in the marginal pool competition only. The Benefit To Low/moderate-Income Persons, Project Impact, Matching Funds, and Other Considerations scores are part of the total score received in this competition, but they are not rescored.

The marginal competition will incorporate the Community Development Supplemental Fund as described in Section IV (C) (2a).

2. COMMUNITY DEVELOPMENT SUPPLEMENTAL FUND	360 Total Points Maximum
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a. Regional Review Committee (RRC) -- 350 Points (Maximum)

- Project Priorities 100 points (Minimum)
- Local Effort 75 points (Minimum)
- Merits of the Project 175 points (Maximum)

b. Past Performance - Tx CDBG scored

10 points (Maximum)

In general, the RRC must establish the method its members will use to score each of the three factors, consistent with HUD regulations as determined by Tx CDBG. The method must be described in the RRC Guidelines and made available to communities in the region for use in preparing applications.

Housing - Each region is encouraged to allocate eight percent (8%), or a greater or lesser percentage, of its Community Development Fund allocation to housing projects proposed in and for that region. Under a housing allocation, the highest ranked applications for housing activities, regardless of the position in the overall ranking, would be selected to the extent permitted by the housing allocation level. If the region allocates a percentage its funds to housing and applications conforming to the maximum and minimum amounts are not received to use the entire housing allocation, the remaining funds may be used for other eligible activities.

(i) Project Priorities -- (100 Points Minimum for Highest Priority Level)

The RRC must establish in the RRC Guidelines the priorities of project activities and the specific number of points that will be awarded for each priority level.

(ii) Local Effort -- (75 points Minimum)

Under the Local Effort category, the RRC reviews and scores based on efforts being made by applicants in utilizing local resources for community development. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the local ad valorem (property) tax rate? (including for counties the base rate and combined rates.)
2. What is the delinquency rate for the property tax for a specific time period?
3. What are the current tax rates levied by taxing districts in the jurisdiction and which taxes affect the proposed project area?
4. What is the total tax rate as of a certain date (from all jurisdictions) paid by the applicant's residents and the residents in the proposed project area?
5. When was the last tax rate or property valuation increase for the applicant's jurisdiction, including the project area?
6. Does the applicant levy the local sales tax option, 4A sales tax, 4B sales tax, or other local sales? If so, what is the tax rate(s) and the amount of sales tax revenue collected during previous 12 months?
7. What is the applicant's per capita bond (bond and long-term debt) indebtedness for principal only? For principal and interest? (Based on 2000 Census data as available)
8. What are the applicant's water and sewer rates (including residential rates) for the project area?
9. What would a household with 5,000 gallon/month usage pay in water and sewer bills (based on residential rates in the project area)?
10. When was the last increase in water and/or sewer rates (including residential rates) for the project area?
11. Historically, has the applicant or applicable utility funded improvements with local funds, bond debt, long-term debt, or grants?

12. Who provides the utilities in the project area?
13. What is the unencumbered reserve and how much was reserved for particular projects at the end of the last fiscal year?
14. Is there any information not specifically requested that the applicant would like to present to the Committee concerning their efforts locally?

(iii). Merits of the Project -- (175 Points Maximum)

The RRC awards points based on the merits of the project, particularly the severity of need of the project. This factor would not consider local effort, which is scored under the preceding factor. The RRC must establish the method its members will use to score this factor, consistent with HUD regulations as determined by Tx CDBG. The following questions are examples of questions that may be considered by the RRC and they may be revised, omitted or other criteria/factors may be considered as deemed appropriate:

1. What is the severity of the need for this project?
2. To what extent will this project resolve the problem?
3. Does the project appear to be the most feasible method of addressing the problem?
4. Does this project address the problem for only a small target area or for the entire community?
5. Is there an alternate method for the applicant to solve the problem, (i.e., has the applicant sought funding from other sources such as state and federal agencies)?
6. What is the cost in Tx CDBG dollars requested per beneficiary?
7. Has this project been submitted in the past?
8. Is there a clearly identified substantial "self-help" component provided for in the project (i.e., 10 percent or more of the total project costs)?

(iv) The committee must establish, as part of the organizational meeting, a scoring methodology for each of the selection factors listed under Local Effort and Merits of the Project consistent with HUD regulations, as determined by Tx CDBG. The scoring procedure must prescribe the method of documenting the committee member's score. The RRC may (A) further subdivide the broad selection factors/categories into smaller categories/increments and provide additional detail in the RRC scoring for the Local Effort and Merits of the Project; (B) select certain "Key questions/Considerations/Factors" that can be used to evaluate the broad selection factor/category and develop a specific number of scoring ranges, including a scoring range for Yes/No answers, or (C) a combination of A and B, which includes a subdivision of the categories into smaller increments and key questions/considerations with specific scoring ranges. Factors selected must be unambiguous in the method of scoring them. As part of the process, the committee must retain documentation showing how each committee member awarded points under this factor and provide a copy of this documentation to the Tx CDBG.

The RRC is encouraged to assess the regional housing needs and the manner of determining that housing needs are addressed and appropriately considered as part of the review and scoring process. The RRC must determine at its organizational meeting whether it will have a housing set-aside and include the decision and amount of housing set-aside in the RRC Guidelines.

Each Regional Review Committee must score all of the three (3) required scoring factors.

Past Performance – Tx CDBG scored. An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Marginal competition. The marginal competition will incorporate the Community Development Supplemental Fund as described in Section IV (C) (2a).

3. TEXAS CAPITAL FUND	Real Estate, And Infrastructure Programs
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The selection criteria for the Real Estate, and Infrastructure Programs of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Creation or retention of jobs primarily for low to moderate income persons
- b. Creation or retention of jobs primarily in areas of above average unemployment and poverty
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Expansion of markets through manufacturing and/or value-added processing
- e. Provision of job opportunities at the lowest possible Texas Capital Fund cost per job
- f. Benefit to areas of the state most in need by considering job impact to community
- g. Assistance for small businesses and Historically Underutilized Businesses
- h. Feasibility of project and ability to create and/or retain jobs

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of business or marketing plan; management experience of the business' principals; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

4. TEXAS CAPITAL FUND	Main Street Program
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The selection criteria for the Main Street Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. The applicant must have been designated by the Texas Historical Commission as a Main Street City
- c. Feasibility of project
- d. Generation of a greater ratio of private investment to Texas Capital Fund investment
- e. Texas Historical Commission scoring
- f. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: history of the applicant community in the program; strength of marketing plan; and justification of minimum Texas Capital Fund contribution necessary to serve the project.

5. TEXAS CAPITAL FUND	Downtown Revitalization Program
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The selection criteria for the Downtown Revitalization Program of the Texas Capital Fund will focus upon factors which may include, but which are not limited to, the following:

- a. Aid in the elimination of slum or blight
- b. Feasibility of project
- c. Generation of a greater ratio of private investment to Texas Capital Fund investment
- d. Community profile

Following the assessment based on the selection criteria described above, projects will be reviewed and evaluated upon the following additional factors: strength of marketing plan and justification of minimum Texas Capital Fund contribution necessary to serve the project.

6. COLONIA CONSTRUCTION FUND	430 Total Points Maximum
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a. Community Distress -- 35 Points (Maximum)

- | | |
|---|-----------|
| • Percentage of persons living in poverty | 15 points |
| • Per Capita Income | 10 points |
| • Percentage of housing units without complete plumbing | 5 points |
| • Unemployment Rate | 5 points |

b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)

A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG

funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

c. Project Priorities -- 195 Points (Maximum)

- Activities (service lines, service connections, and/or plumbing improvements) providing public access to EDAP-funded water or sewer systems 195
- First time public Water service activities (including yard service lines) 145
- First time public Sewer service activities (including yard service lines) 145
- Installation of approved residential on-site wastewater disposal systems for providing first time service 145
- Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues 140
- Housing Activities 140
- First time Water and/or Sewer service through a privately-owned for-profit utility 135
- Expansion or improvement of existing Water and/or Sewer service 120
- Street Paving and Drainage activities 75
- All Other eligible activities 20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

d. Project Design -- 140 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.

- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

e. Matching Funds -- 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 20 points
- Match at least 2%, but less than 5% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points

- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

Past Performance - 10 points (Maximum)

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Colonia Construction Fund Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. If the marginal amount available to this applicant is equal to or more than the Colonia Construction Fund grant minimum of \$75,000, the marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. In the event that the marginal amount remaining in the Colonia Construction Fund allocation is less than \$75,000, then the remaining funds will be used to either fund a Colonia Planning Fund application or will be reallocated to other established Tx CDBG fund categories.

7. COLONIA ECONOMICALLY DISTRESSED AREAS PROGRAM FUND

The allocation is distributed on an as-needed basis to eligible counties, and nonentitlement cities located in those counties, that are eligible under the Tx CDBG Colonia Fund and Texas Water Development Board's Economically Distressed Areas Program (TWDB EDAP). Unutilized funds under this program may be redistributed among the established 2008 program year fund categories, for otherwise eligible projects.

Eligible projects shall be located in unincorporated colonias; in colonias located in eligible nonentitlement cities that annexed the colonia and the application for improvements in the colonia is submitted within five (5) years from the effective date of the annexation; or in colonias located in eligible nonentitlement cities where the city is in the process of annexing the colonia where the improvements are to be made.

Eligible applicants may submit an application that will provide assistance to colonia residents that cannot afford the cost of service lines, service connections, and plumbing improvements associated with being connected to a TWDB EDAP-funded water and sewer system improvement project. An application cannot be submitted until the construction of the TWDB EDAP-funded water or sewer system begins.

Eligible program costs include water distribution lines and sewer collection lines providing connection to water and sewer lines installed through the Texas Water Development Board's Economically Distressed Areas Program (when approved by the Tx CDBG), taps and meters (when approved by the Tx CDBG), yard service lines, service connections, plumbing improvements, and connection fees, and other eligible approved costs associated with connecting an income-eligible family's housing unit to the TWDB improvements.

Tx CDBG staff will evaluate the following factors prior to awarding Colonia Economically Distressed Areas Program funds:

- The proposed use of the Tx CDBG funds including the eligibility of the proposed activities and the effective use of the funds to provide water or sewer connections/yard lines to water/sewer systems funded through EDAP.
- The ability of the applicant to utilize the grant funds in a timely manner.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Cost per beneficiary.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

8. COLONIA AREA PLANNING FUND

340 Total Points Maximum

a. Community Distress -- 35 Points (Maximum)

- Percentage of persons living in poverty 15 points
- Per Capita Income 10 points
- Percentage of housing units without complete plumbing 5 points
- Unemployment Rate 5 points

b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)

Points are then awarded based on the low to moderate income percentage for all of the colonia areas where planning activities are located according to the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

c. Matching Funds -- 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 20 points
- Match at least 2%, but less than 5% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points
- Match less than 5% of grant request 0 points

The population category under which county applications are scored is based on the actual number of beneficiaries to be served by the colonia planning activities.

d. Project Design -- 255 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need within the colonia area(s), how clearly the proposed planning effort will remove barriers to the provision of public facilities to the colonia area(s) and result in the development of an implementable strategy to resolve the identified needs.
- The planning activities proposed in the application.
- Whether each proposed planning activity will be conducted on a colonia-wide basis.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- The Tx CDBG cost per low/moderate-income beneficiary.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Area Planning Fund Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Area Planning Fund allocation will be reallocated to either fund additional Colonia Comprehensive Planning Fund applications, Colonia Construction Fund applications, or will be reallocated to other established Tx CDBG fund categories.

9. COLONIA COMPREHENSIVE PLANNING FUND	200 Total Points Maximum
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a. Community Distress -- 25 Points (Maximum)

- Percentage of persons living in poverty 10 points
- Per Capita Income 5 points
- Percentage of housing units without complete plumbing 5 points
- Unemployment Rate 5 points

b. Project Design -- 175 Points (Maximum)

Each application will be scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- The severity of need for the comprehensive colonia planning effort and how effectively the proposed comprehensive planning effort will result in a useful assessment of colonia populations, locations, infrastructure conditions, housing conditions, and the development of short-term and long term strategies to resolve the identified needs.
- The extent to which any previous planning efforts for colonia area(s) have been accomplished.
- Whether the applicant has provided any local matching funds for the planning or preliminary engineering activities.
- The applicant's past performance on previously awarded Tx CDBG contracts.

A Colonia Planning Fund application must receive a minimum score for the Project Design selection factor of at least 70 percent of the maximum number of points allowable under this factor to be considered for funding.

Colonia Comprehensive Planning Fund Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in the Colonia Comprehensive Planning Fund allocation will be reallocated to either fund additional Colonia Area Planning Fund applications, Colonia Construction Fund applications, or will be reallocated to other established Tx CDBG fund categories.

10. NON-BORDER COLONIA FUND	380 Total Points Maximum
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a. Community Distress -- 35 Points (Maximum)

- Percentage of persons living in poverty 15 points
- Per Capita Income 10 points
- Percentage of housing units without complete plumbing 5 points
- Unemployment Rate 5 points

b. Benefit To Low/Moderate-Income Persons -- 30 Points (Maximum)

A formula is used to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. The percentage of low to moderate income persons benefiting from each construction, acquisition, and engineering activity is multiplied by the Tx CDBG funds requested for each corresponding construction, acquisition, and engineering activity. Those calculations determine the amount of Tx CDBG benefiting low to moderate income person for each of those activities. Then, the funds benefiting low to moderate income persons

for each of those activities are added together and divided by the Tx CDBG funds requested minus the Tx CDBG funds requested for administration to determine the percentage of Tx CDBG funds benefiting low to moderate income persons. Points are then awarded in accordance with the following scale;

100% to 90% of Tx CDBG funds benefiting low to moderate income persons	30
89.99% to 80% of Tx CDBG funds benefiting low to moderate income persons	25
79.99% to 70% of Tx CDBG funds benefiting low to moderate income persons	20
69.99% to 60% of Tx CDBG funds benefiting low to moderate income persons	15
Below 60% of Tx CDBG funds benefiting low to moderate income persons	5

c. Project Priorities -- 145 Points (Maximum)

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- First time public Water service activities (including yard service lines) 145
- First time public Sewer service activities (including yard service lines) 145
- Installation of approved residential on-site wastewater disposal systems for providing first time service 145
- Installation of approved residential on-site wastewater disposal systems for failing systems that cause health issues 140
- Housing Activities 140
- First time Water and/or Sewer service through a privately-owned for-profit utility 135
- Expansion or improvement of existing Water and/or Sewer service 120
- Street Paving and Drainage activities 75
- All Other eligible activities 20

A weighted average is used to assign scores to applications that include activities in the different Project Priority scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Priorities point level. The sum of these calculations determines the composite Project Priorities score.

d. Project Design -- 140 Points (Maximum)

Each application is scored by a committee composed of Tx CDBG staff using the following information submitted in the application to generate scores on the project design factor:

- For projects other than water and waste water, whether the applicant has already met its basic water and waste water needs.
- Whether the project has provided for future funding necessary to sustain the project.
- The severity of need within the colonia area(s) and how the proposed project resolves the identified need. Additional consideration is given to water system improvements addressing the impacts from the current drought conditions in the state.

- The applicant will use Tx CDBG funds to provide water or sewer connections, yard service lines, and/or plumbing improvements associated with providing access for non border colonia residents to water or sewer systems funded by the Texas Water Development Board Economically Distressed Areas Program (EDAP).
- The applicant's past efforts (with emphasis on the applicant's most recent efforts) to address water, sewer, and housing needs in colonia areas through applications submitted under the Tx CDBG Community Development Fund or through the use of CDBG entitlement funds.
- The Tx CDBG cost per low/moderate income beneficiary.
- Whether the applicant has provided any local matching funds for administrative, engineering, or construction activities.
- If applicable, the projected water and/or sewer rates after completion of the project based on 3,000 gallons, 5,000 gallons and 10,000 gallons of usage.
- The ability of the applicant to utilize the grant funds in a timely manner.
- Whether the applicant has waived the payment of water or sewer service assessments, capital recovery fees, and any other access fees for the low and moderate income project beneficiaries.
- The availability of grant funds to the applicant for project financing from other sources.
- The applicant's past performance on previously awarded Tx CDBG contracts.
- Proximity of project site to entitlement cities or metropolitan statistical areas.

e. Matching Funds -- 20 Points (Maximum)

Applicant(s) population equal to or less than 1,500 according to the 2000 Census:

- Match equal to or greater than 5% of grant request 20 points
- Match at least 2%, but less than 5% of grant request 10 points
- Match less than 2% of grant request 0 points

Applicant(s) population equal to or less than 3,000 but over 1,500 according to the 2000 Census:

- Match equal to or greater than 10% of grant request 20 points
- Match at least 2.5%, but less than 10% of grant request 10 points
- Match less than 2.5% of grant request 0 points

Applicant(s) population equal to or less than 5,000 but over 3,000 according to the 2000 Census:

- Match equal to or greater than 15% of grant request 20 points
- Match at least 3.5%, but less than 15% of grant request 10 points
- Match less than 3.5% of grant request 0 points

Applicant(s) population over 5,000 according to the 2000 Census:

- Match equal to or greater than 20% of grant request 20 points
- Match at least 5%, but less than 20% of grant request 10 points

- Match less than 5% of grant request 0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

Applications that include a housing rehabilitation and/or affordable new permanent housing activity for low- and moderate-income persons as a part of a multi-activity application do not have to provide any matching funds for the housing activity. This exception is for housing activities only. The Tx CDBG does not consider sewer or water service lines and connections as housing activities. The Tx CDBG also does not consider on-site wastewater disposal systems as housing activities.

Demolition/clearance and code enforcement, when done in the same target area in conjunction with a housing rehabilitation activity, is counted as part of the housing activity. When demolition/clearance and code enforcement are proposed activities, but are not part of a housing rehabilitation activity, then the demolition/clearance and code enforcement are not considered as housing activities. Any additional activities, other than related housing activities, are scored based on the percentage of match provided for the additional activities.

Past Performance - 10 points (Maximum)

An applicant can receive from ten (10) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

Non-Border Colonia Fund Marginal Applicant

The marginal applicant is the applicant whose score is high enough for partial funding of the applicant's original grant request. The marginal applicant may scale down the scope of the original project design, and accept the marginal amount, if the reduced project is still feasible. Any unobligated funds remaining in this fund will be reallocated to the Community Development marginal calculation.

11. PLANNING AND CAPACITY BUILDING FUND	430 Total Points Maximum
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a. Community Distress -- 55 Points (Maximum)

- Percentage of persons living in poverty 25 points
- Per Capita Income 20 points
- Unemployment rate 10 points

b. Benefit to Low/Moderate Income Persons - 0 Points

Applicants are required to meet the 51% low/moderate income benefit as a threshold requirement, but no score is awarded on this factor.

c. Project Design -- 375 Points (Maximum)

- (1) Program Priority 50 points

Applicant chooses its own priorities here.

- (2) Base Match 0 points

- Five percent match required from applicants with population equal to or less than 1,500.
- Ten percent match required from applicants with population over 1,500 but equal to or less than 3,000.
- Fifteen percent match required from applicants with population over 3,000 but equal to or less than 5,000.
- Twenty percent match required from applicants with population over 5,000.

- (3) Areawide Proposals 50 points

Applicants with jurisdiction-wide proposals because the entire jurisdiction is at least 51 percent low/moderate-income qualify for these points. County applicants with identifiable, unincorporated communities may also qualify for these points provided that incorporation activities are underway. Proof of efforts to incorporate is required. County applicants with identifiable water supply corporations may apply to study water needs only and receive these points.

(4) Planning Strategy and Products

275 points

- New applicants receive up to 50 points while previous recipients of planning funds receive either up to 40 or 20 points depending on the level of implementation of previously funded activities. Recipients of Tx CDBG planning funds prior to PY 1995 will be considered new applicants for this scoring factor
- Up to 225 points are awarded for the applicant's Proposed Planning Effort based on an evaluation of the following:
 - the extent to which any previous planning efforts have been implemented or accomplished;
 - how clearly the proposed planning effort will resolve community development needs addressed in the application;
 - whether the proposed activities will result in the development of a viable and implementable strategy and be an efficient use of grant funds; and
 - demonstration of local commitment.

12. Tx CDBG STEP FUND	120 Total Points Maximum
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The following is the selection criteria to be used by Tx CDBG staff for the scoring of assessments and applications under the Texas STEP Fund. The maximum score of 120 points is divided among five scoring factors:

a. Project Impact - 60 Points (Maximum)

Activity	Score
• First time service	60-40
• To address drought	60-40
• To address a severe impact to a water system (imminent loss of well, transmission line, supply impact)	60-40
• TCEQ relevant documentation or Texas Department of Health Imminent Threat to Health	60-40
• Problems due to severe sewer issues that can be addressed through the STEP process (documented)	60-40
• Problems due to severe pressure problems (documented)	50-40
• Line replacement (water or sewer) other than for above	40-30
• All other proposed water and sewer projects that are not reflected above	30-20

A weighted average will be used to assign scores to applications that include activities in the different Project Impact scoring levels. Using as a base figure the Tx CDBG funds requested minus the Tx CDBG funds requested for engineering and administration, a percentage of the total Tx CDBG construction dollars for each activity will be calculated. The percentage of the total Tx CDBG construction dollars for each activity will then be multiplied by the appropriate Project Impact point level. The sum of these calculations will determine the composite Project Impact score.

Factors that are evaluated by the Tx CDBG staff in the assignment of scores within the predetermined scoring ranges for activities include, but are not limited to, the following:

1. how the proposed project will resolve the identified need and the severity of the need within the applying jurisdiction; and
2. projects designed to bring existing services up to at least the state minimum standards as set by the applicable regulatory agency are generally given additional consideration.

b. STEP Characteristics, Merits of the Project, and Local Effort - 30 points (Maximum)

The Tx CDBG staff will assess the proposal for the following STEP characteristics not scored in other factors:

1. degree work will be performed by community volunteer workers, including information provided on the volunteer work to total work;
2. local leaders (sparkplugs) willing to both lead and sustain the effort;
3. readiness to proceed – the local perception of the problem and the willingness to take action to solve it;
4. capacity – the manpower required for the proposal including skills required to solve the problem;
5. merits of the projects, including the severity of the need, whether the applicant sought funding from other sources, cost in Tx CDBG dollars requested per beneficiary, etc.; and
6. local efforts being made by applicants in utilizing local resources for community development.

c. Past Participation and Performance - 15 Points (Maximum)

An applicant would receive ten (10) points if they do not have a current Texas STEP grant.

An applicant can receive from five (5) to zero (0) points based on the applicant's past performance on previously awarded Tx CDBG contracts. The applicant's score will be primarily based on our assessment of the applicant's performance on the applicant's two (2) most recent Tx CDBG contracts that have reached the end of the original contract period stipulated in the contract. The Tx CDBG will also assess the applicant's performance on existing Tx CDBG contracts that have not reached the end of the original contract period. Applicants that have never received a Tx CDBG grant award will automatically receive these points. The Tx CDBG will assess the applicant's performance on Tx CDBG contracts up to the application deadline date. The applicant's performance after the application deadline date will not be evaluated in this assessment. The evaluation of an applicant's past performance will include, but is not necessarily limited to the following:

- The applicant's completion of the previous contract activities within the original contract period.
- The applicant's submission of all contract reporting requirements such as Quarterly Progress Reports, Certificates of Expenditures, and Project Completion Reports.
- The applicant's submission of the required close-out documents within the period prescribed for such submission.
- The applicant's timely response to monitoring findings on previous Tx CDBG contracts especially any instances when the monitoring findings included disallowed costs.
- The applicant's timely response to audit findings on previous Tx CDBG contracts.

d. Percentage of Savings off of the retail price - 10 Points (Maximum)

For STEP, the percentage of savings off of the retail price is considered a form of community match for the project. In STEP, a threshold requirement is a minimum of 40 percent savings off the retail price for construction activities.

For Communities that are equal to or below 1,500 in Population

55% or more Savings	10 points
50% - 54.99% Savings	9 points
45% - 49.99% Savings	7 points
41% - 44.99% Savings	5 points

For Communities that are above 1,500 but equal to or below 3,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	8 points
45% - 49.99% Savings	6 points
41% - 44.99% Savings	3 points

For Communities that are above 3,000 but equal to or below 5,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	7 points
45% - 49.99% Savings	5 points
41% - 44.99% Savings	2 points

For Communities that are above 5,000 but equal to or below 10,000 in Population

55% or more Savings	10 points
50% - 54.99% Savings	6 points
45% - 49.99% Savings	3 points
41% - 44.99% Savings	1 points

For Communities that are 10,000 or above in Population

55% or more Savings	10 points
50% - 54.99% Savings	5 points
45% - 49.99% Savings	2 points
41% - 44.99% Savings	0 points

The population category under which county applications are scored is dependent upon the project type and the beneficiary population served. If the project is for beneficiaries for the entire county, the total population of the county is used. If the project is for activities in the unincorporated area of the county with a target area of beneficiaries, the population category is based on the unincorporated residents for the entire county. For county

applications addressing water and sewer improvements in unincorporated areas, the population category is based on the actual number of beneficiaries to be served by the project activities.

The population category under which multi-jurisdiction applications are scored is based on the combined populations of the applicants according to the 2000 Census.

e. Benefit To Low/Moderate-Income Persons - 5 Points (Maximum)

Applicants are required to meet the 51 percent low/moderate-income benefit for each activity as a threshold requirement. Any project where at least 60 percent of the Tx CDBG funds benefit low/moderate-income persons will receive 5 points.

A project must score at least 75 points overall and 15 points under factor 12(b) to be considered for funding.

13. MICROENTERPRISE LOAN FUND	120 Total Points Maximum
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a. Community Distress -- 50 Points (Maximum)

- Percentage of Persons Living In Poverty 15 points
- Per Capita Income 15 points
- Population Loss 10 points
- Unemployment Rate 10 points

For Percentage of Persons Living In Poverty, Population Loss, and Unemployment Rate:

Amount is greater than 150% of state median – Maximum points

Amount is less than or equal to 150% but not less than 75% of state median - 1/2 maximum points

Amount is less than 75% of state median – 1/4 of maximum points

For Per Capita Income:

Amount is less than 75% of state median – Maximum points

Amount is greater than or equal to 75% but less than 150% of state median - 1/2 maximum points

Amount is greater than or equal to 150% of state median – 1/4 of maximum points

b. Program Design -- 50 Points (Maximum)

- Nonprofit Capacity 10 points
- Overall Program Design 10 points
- Technical Assistance and Counseling Services 5 points
- Citizen Involvement 5 points
- Business Involvement 5 points
- Potential Applicants 5 points
- Marketing Plan 5 points
- Terms 5 points

c. Leverage Ratio -- 5 Points (Maximum)

Score 5 points if matching dollars are greater than or equal to the following Ratios based on two separate population categories:

- Applicant’s population less than 5,000 persons –1:1
- Applicant’s population equal to or greater than 5,000 persons –1.25:1

d. Previous Participation -- 10 Points (Maximum)

- No previous Texas Capital Fund participation 10 points
- No open Texas Capital Fund contracts 5 points

e. Rural Projects -- 5 Points (Maximum)

- Cities with populations under 10,000, or
- Counties with populations under 100,000

An application must receive at least 50 points overall and 25 points under Program Design to be considered eligible for funding consideration.

14. SMALL BUSINESS LOAN FUND	125 Total Points Maximum
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a. Community Distress -- 50 Points (Maximum)

- Percentage of Persons Living In Poverty 15 points
- Per Capita Income 15 points
- Population Loss 10 points
- Unemployment Rate 10 points

For Percentage of Persons Living In Poverty, Population Loss, and Unemployment Rate:

Amount is greater than 150% of state median – Maximum points

Amount is less than or equal to 150% but not less than 75% of state median - 1/2 maximum points

Amount is less than 75% of state median – 1/4 of maximum points

For Per Capita Income:

Amount is less than 75% of state median – Maximum points

Amount is greater than or equal to 75% but less than 150% of state median - 1/2 maximum points

Amount is greater than or equal to 150% of state median – 1/4 of maximum points

b. Jobs -- 20 Points (Maximum)

- Below \$10,000 per job 20 points
- Below \$15,000 per job 15 points
- Below \$20,000 per job 10 points

- Below \$25,000 per job 5 points

c. Project Feasibility -- 30 Points (Maximum)

The feasibility of each project is evaluated and scored based on the financial soundness of the project. Factors examined include:

- Firm commitments for financial investments
- The jobs to be created or retained
- The history of the business
- The current financial condition of the business (including a full review of the credit analysis)
- Cash flow projections
- The business or marketing plan supporting the businesses capacity to sustain operations beyond the period of program assistance including letters of intent to purchase products or services
- Management experience of the businesses' principals

d. Leverage Ratio -- 5 Points (Maximum)

A minimum ten percent (10%) equity injection by the assisted business is required.

Score 5 points if matching dollars are greater than or equal to the following ratios based on two separate population categories:

- Applicant's population less than 5,000 persons --1:1
- Applicant's population equal to or greater than 5,000 persons --1.25:1

e. Previous Participation -- 10 Points (Maximum)

- No previous Texas Capital Fund participation 10 points
- No open Texas Capital Fund contracts 5 points

f. Innovative Projects -- 5 Points (Maximum)

Projects that support a business addressing a community need or economic/population trend will receive additional consideration

g. Rural Projects -- 5 Points (Maximum)

- Cities with populations under 10,000, or
- Counties with populations under 100,000

An application must receive at least 50 points overall and 15 points under Project Feasibility to be considered for funding.

15. SECTION 108 LOAN GUARANTEE PILOT PROGRAM

50 Total Points Maximum

Selection Criteria. Applications meeting threshold requirements of the application review and underwriting analysis will be scored based on the following:

a. Community Need - 30 points (Maximum)

(1) Unemployment - 10 points (Maximum). Five points awarded if the applicant's unemployment rate is higher than the state rate, indicating that the community is economically below the state average. Ten points awarded if the applicant's most recently available unemployment rate is 1.5% over the state rate. (For cities, the most recently available city rate will be used; for counties, the most recently available county or census tract rate, for where the business site is located, whichever is higher, will be used).

(2) Poverty - 10 points (Maximum). Awarded if the applicant's most recently available annual county poverty rate is higher than the annual state rate, indicating that the community is economically below the state average. Applicants will score 5 points if their rate meets or exceeds the state average and score 10 points if this figure exceeds the state average by at least 15%.

(3) Community Population (more Rural) - 10 points (Maximum). Points are awarded to applying cities with populations of 5,050 or less and counties with a total population of 35,000 or less, using 2000 census data. For cities: score 5 points if the city is located in a county with a population of 35,000 or less; and score 5 additional points if the population of the city is less than 5,050. For counties: score 5 points if the county population is less than 35,000 and score 5 additional points if the county population is less than 15,350.

b. Jobs - 20 points (Maximum).

(1) Job Impact (Jobs Created or Retained per Population of Community) - 10 points (Maximum). Awarded by taking the Business' total job commitment, created & retained, and dividing by applicant's 2000 unadjusted population. This equals the job impact ratio. Score 5 points if this figure exceeds the median job impact ratio for prior years; and score 10 points if this figure exceeds 200% of the ratio. County applicants should deduct the 2000 census population amounts for all incorporated cities, except in the case where the county is sponsoring an application for a business that is or will be located in an incorporated city. In this case the city's population would be used, rather than the county's.

(2) Cost per Job - 10 points (Maximum). Awarded by dividing the amount of Section 108 loan guarantee amount requested by the number of full-time job equivalents to be created and/or retained. Points are then awarded in accordance with the following scale:

- (i) Below \$15,000--10 points.
- (ii) Below \$20,000--5 points.

(c) In the event of a tie score and insufficient funds to approve all applications, the following tie breaker criteria will be used.

(i) The tying applications are ranked from lowest to highest based on poverty rate stated on the score sheet. Thus, preference is given to the applicant with the higher poverty rate.

(ii) If a tie still exists after applying the first criteria then applications are ranked from lowest to highest based on unemployment rate stated on the score sheet. Thus, preference is then given to the applicant with the higher unemployment rate.

16. RENEWABLE ENERGY DEMONSTRATION PILOT PROGRAM	70 Total Points Maximum
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(A) Type of Project: Primarily used in conjunction with providing public facilities to meet basic human needs such as water or waste water and/or benefit to low/moderate-income persons – up to 15 points.

(B) Innovative Technology / Methods – A project that would demonstrate the application of innovative technology and/or methods – up to 10 points.

(C) Duplication in Other Rural Areas – A project that could have widespread application (although it would not need to be applicable in every portion of the state.) – up to 10 points

(D) Long-term Cost / Benefit and Texas Renewable Energy Goals – Projects that demonstrate long term cost / benefit analysis including benefits to the human environment and consistency with Texas renewable energy goals – up to 10 points

(E) Partnership / Collaboration – Projects that have a demonstrated partnership and collaboration with other entities focusing on promoting renewable energy including universities, funding agencies, associations, or businesses – up to 10 points.

(F) Leveraging – projects with committed funds from other entities including funding agencies, local governments, or businesses – Percent of portion of total project receiving Tx CDBG funds is leveraged with other funds – 50% - 10 points, 25% - 5 points, 10% - 3 points, 5% - 1 point.

(G) Location in Rural Areas – Projects that benefit cities with populations under 10,000 and/or counties under 100,000 – 5 points.

PERFORMANCE MEASURES

Goals, Objectives, Outcomes, Strategies, and Outputs

Tx CDBG Strategic Plan Performance Measures:

The Tx CDBG currently has a performance measurement system in place that is part of its strategic plan and the Texas legislative budgeting process. The Tx CDBG has already implemented a performance measurement system

that supports the HUD goals as stated in CPD Notice – 03-09, issued September 3, 2003, which “strongly encouraged each CPD formula grantee to develop and use a state or local performance measurement system.” In this notice, HUD asked the State CDBG programs, along with all other CDBG grantees, that currently have and use a state or local performance measurement system to “(1) describe, in their next Consolidated Plan or Annual Action Plan, the method they use to measure the outputs and outcomes of their CPD formula grant programs.”

The Tx CDBG has the following Performance Measures system in place for administering and evaluating the success of the CDBG non-entitlement program.

GOALS, OBJECTIVES AND OUTCOMES - For FY 2008-2009

- Goal 1: Support Community and Economic Development Projects
- Objective 1: Fund Facility, Economic Development, Housing, and Planning Projects
- Outcome 1: Percent of the Small Communities’ Population Benefiting from Projects
- Outcome 2: Percent of Requested Project Funds Awarded to Projects Using Annual HUD Allocation

STRATEGIES AND EFFICIENCY, EXPLANATORY AND OUTPUT MEASURES - For 2007-2008

- Goal 1: Support Community and Economic Development Projects
- Objective 1: Fund Facility, Economic Development, Housing and Planning Projects
- Strategy 1: Provide Grants for Community and Economic Development Projects
- Efficiency 1: Average Agency Administrative Cost per Contract Administered
- Output 1: Number of New Contracts Awarded
- Output 2: Number of Projected Beneficiaries from New Contracts Awarded
- Output 3: Number of Jobs Created/Retained through Contracts Awarded Annually
- Output 4: Number of Projected Beneficiaries from Self-Help Center Contracts Funded
- Output 5: Number of Programmatic Monitoring Visits Conducted
- Output 6: Number of Single Audit reviews Conducted Annually

HUD CDBG Performance Outcome Measurement System:

The Tx CDBG has begun to implement the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

OTHER 2007 CDBG PROGRAM GUIDELINES
COMMUNITY NEEDS ASSESSMENT

Each applicant for TxCDBG funds must prepare an assessment of the applicant's housing and community development needs. The needs assessment submitted by an applicant in an application for the Community Development Fund must also include information concerning the applicant's past and future efforts to provide affordable housing opportunities in the applicant's jurisdiction and the applicant's past efforts to provide infrastructure improvements through the issuance of general obligation or revenue bonds.

LEVERAGING RESOURCES
Texas Capital Fund

The following matching funds requirements apply under the Real Estate, Infrastructure, Main Street and Downtown Revitalization Program:

- a. The leverage ratio between all funding sources to the Texas Capital Fund (TCF) request may not be less than 1:1 for awards of \$750,000 or less (except for the Main Street and Downtown Revitalization programs which both require 0.1:1, or more match), and 4:1 for awards of \$750,100 to \$1,000,000.

- b. All businesses are required to make financial contributions to the proposed project. A cash injection of a minimum of 2.5% of the total project cost is required. Total equity participation must be no less than 10% of the total project cost. This equity participation may be in the form of cash and/or net equity value in fixed assets utilized within the proposed project. A minimum of a 33% equity injection (of the total projects costs) in the form of cash and/or net equity value in fixed assets is required, if the business has been operating for less than three years and is accessing the Real Estate program.

Over the past five program years the ratio of matching funds to Texas Capital Fund awards is approximately 3.75:1. If this ratio continues for the 2007 program year then the estimated amount of leveraged funds for the 2008 program year is approximately \$45 million.

MINORITY HIRING/PARTICIPATION

The TxCDBG encourages minority employment and participation among all applicants under the Community Development Block Grant Program. All applicants to the Community Development Block Grant Program shall be required to submit information documenting the level of minority participation as part of the application for funding.

CITIZEN PARTICIPATION

A grant to a locality under the Texas Community Development Block Grant Program may be awarded only if the locality certifies that it is following a detailed citizen participation plan that provides for and encourages citizen participation at all stages of the community development program. TxCDBG applicants and funded localities are

required to carry out citizen participation in accordance with the Citizen Participation Plan requirements described in TxCDBG application guides.

CPD OUTCOME PERFORMANCE MEASUREMENT SYSTEM REPORTING:

The TxCDBG has begun to implement the CPD Outcome Performance Measurement System Reporting and has added the performance measurement objectives and outcomes to its new application guides. All applicants will be required to indicate the performance measures that best correspond with the activities they are proposing. TxCDBG staff will enter the objectives and outcomes in its internal application review database. Upon the award of the funds, TxCDBG will enter the performance measure information into the IDIS database. The TxCDBG staff will update the information in IDIS as needed. In addition, for existing open contracts, TxCDBG staff has entered the objectives and outcomes for these contracts into the IDIS system.

The TxCDBG has implemented the HUD CDBG Performance Outcome Measurement System, which is a nationwide reporting system based on standardized Objective categories, Outcome categories, and specific Output Indicators.

The proposed outcome performance measurement system has three objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, will produce nine possible outcome/objective combinations within which to categorize CDBG grant activities. Specific Output Indicators, many of which Tx CDBG has used in the HUD Integrated Disbursement and Information System reporting system, will be used to provide the quantifiable information used to actually measure the outcome/objective combinations for the funded CDBG projects (such as the number of persons who have new access to water facilities).

For PY 2008, the anticipated objectives and outcomes for the proposed eligible activities are shown below; however, both the actual objectives and outcomes for individual funded projects may vary within the eligible activities depending on the applicant's determination and selection:

HUD Matrix Code	HUD Matrix Name	Objective	Outcome	Obj./ Out. Code	Expected Number
03E	Neighborhood Facilities	Suitable Living Environment	Availability/ Accessibility	SL-1	1
03J	Water/Sewer Improvements	Suitable Living Environment	Availability/ Accessibility	SL-1	106
		Suitable Living Environment	Affordability	SL-2	42
		Suitable Living Environment	Sustainability	SL-3	37
03K	Street Improvements	Suitable Living Environment	Availability/ Accessibility	SL-1	5
		Suitable Living Environment	Affordability	SL-2	3
		Suitable Living Environment	Sustainability	SL-3	43
03L	Sidewalks	Economic Opportunity	Sustainability	EO-3	12
14A	Rehabilitation; Single Unit Residential	Decent Housing	Availability/ Accessibility	DH-1	1
18A	ED Direct Financial Assistance for For-Profits	Economic Opportunity	Availability/ Accessibility	EO-1	12
		Suitable Living Environment	Availability/ Accessibility	SL-1	2

NON-HOMELESS SPECIAL NEEDS ACTION PLAN: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

INTRODUCTION

The 2008 Action Plan for Housing Opportunities for Persons with AIDS (HOPWA) is part of the 2005–2009 State of Texas Consolidated Plan for program year 2008 (February 1, 2008, through January 31, 2009). Although this plan is part of the Consolidated Plan submitted to the US Department of Housing and Urban Development (HUD) by the Texas Department of Housing and Community Affairs, HUD will directly contract with the Texas Department of State Health Services (DSHS) for the HOPWA program, as it has done since 1992.

NEEDS STATEMENT

In 2005, 56,012 Texas residents were known to be living with HIV/AIDS, a 36% increase over the number in 2000. Blacks and Whites each accounted for 38% of living HIV/AIDS cases in Texas, but Blacks only account for 12% of the general population. Hispanics made up 23% of living HIV/AIDS cases. Black persons bore the greatest burden of disease of any race/ethnicity in Texas. The living HIV/AIDS rate in 2005 for Blacks was 800 persons living with HIV/AIDS per 100,000, over four times higher than the rate for Whites (182) and nearly five times the rate in Hispanics (166). Blacks had the largest number of new HIV or AIDS cases diagnosed in 2005, followed by Whites and then Hispanics.

Loss of employment, underemployment, and lack of insurance quickly drain financial resources and can lead to loss of housing. While affordable housing declines, the need for housing may actually increase as people with HIV live longer due to improved medical treatments. On the other hand, as more people with HIV are able to return to work, DSHS anticipates that the number of those wait listed will remain stable.

Using an estimate made by the National Commission on AIDS that one-third to one-half of persons living with HIV/AIDS in 2005 are either homeless or at risk of homelessness, there may be from 18,652 to 28,006 people living with HIV/AIDS in Texas who are homeless or at risk of homelessness. Housing continues to rank high on the needs of people with HIV/AIDS as assessed regularly by the Ryan White planning process.

In 2007, DSHS distributed \$23,724,130 in Ryan White and State Services contracts to provide a wide array of health and social services for persons with HIV/AIDS. In 2006, \$82.0 million was spent on HIV medications.

The Texas HOPWA program fills the unmet need by providing emergency housing assistance and rental assistance. The continuation of HOPWA funding is critical in addressing the threat of homelessness for persons living with HIV/AIDS in Texas.

PROGRAM OBJECTIVES

The Texas DSHS HOPWA program provides housing assistance and supportive services for income-eligible individuals living with HIV/AIDS and their families to establish or better maintain a stable living environment in housing that is decent, safe, and sanitary, to reduce the risk of homelessness, and to improve access to health care and supportive services.

PROGRAM ACTIVITIES

The Texas DSHS HOPWA program proposes to continue the following activities.

SHORT-TERM RENT, MORTGAGE, AND UTILITY ASSISTANCE PROGRAM (STRMU)

This program provides short-term rent, mortgage, and utility payments to prevent homelessness of the tenant or mortgagor of a dwelling. It enables low income individuals at risk of becoming homeless to maintain housing for a period not to exceed 21 weeks in any 52-week period. Qualified clients are assisted with rent, mortgage, and/or utilities, up to the annual STRMU cap established locally. The project sponsor makes payments directly to the provider with the client paying any balance due.

TENANT-BASED RENTAL ASSISTANCE PROGRAM (TBRA)

This program provides tenant-based rental assistance, including assistance for shared housing arrangements. It enables income-eligible HIV-positive clients to pay their rent and utilities until they are able to secure other affordable and stable housing. Clients must contribute the greater of 10 percent of gross income or 30 percent of adjusted gross income towards their rent, or they must contribute the amount of public assistance received for that purpose. The project sponsor pays the balance of the rent up to the fair market rent value.

SUPPORTIVE SERVICES

This program is limited primarily to case management to all HOPWA clients, and the purchase of smoke detectors and basic telephone service assistance.

PERMANENT HOUSING PLACEMENT SERVICES

This program is limited to assistance for placement costs which may include application fees, related credit checks, and reasonable security deposits necessary to move persons into permanent housing, provided such deposits do not exceed the amount equal to two months of rent, and such funds would be designated to be returned to the program.

PROGRAM IMPROVEMENT ACTIVITIES

DSHS is in the process of improving the HOPWA program in various areas. DSHS plans to revise quarterly progress reports to reflect revisions made to the federal reporting requirements in the CAPER, APR, and IDIS. In lieu of the changing federal reporting requirements, DSHS plans to develop a HOPWA module as part of the state's AIDS Regional Information and Evaluation System (ARIES) for improved data reporting and evaluation. These activities are in addition to a revised HOPWA program manual, monitoring tools, program worksheets, and an updated funding allocation formula. DSHS plans to provide training and technical assistance to Administrative Agencies (AAs) and Project Sponsors on program changes via multiple cost-efficient methods, including new web-based teleconference seminars and online technical assistance.

ANNUAL PROGRAM GOALS

Based on prior-year performance and level funding from HUD, DSHS estimates that 700 households can be provided with short-term rent, mortgage, and utility payments, 550 households can be provided tenant-based rental assistance, and 20 households can be provided permanent housing placement during the 2008 project year. All households will be provided with supportive services funded through HOPWA, Ryan White, or other leveraged sources.

PROJECT SPONSOR SELECTION PROCESS

DSHS selects eight AAs across the state through a combination of competitive Requests for Proposals (RFP) and intergovernmental agency contracts. The AAs act as an administrative arm for DSHS by administering the HOPWA program locally for a five year project period. This period is concurrent with the Ryan White Part B grant period, which delivers case management and other supportive services to HOPWA clients.

These AAs in turn select HOPWA Project Sponsors through local competitive processes that are open to all grassroots, faith-based, community-based organizations, and governmental agencies. Each AA contracts with one or more Project Sponsors who directly provide HOPWA services to eligible clients throughout the state's 26 HIV Service Delivery Areas (HSDA). Some Project Sponsors may change during 2008 due to local competitive processes.

PROGRAM BUDGET

DSHS reserves three percent of the total award for administrative and indirect costs, including, personnel, supplies, travel, training/technical assistance, and contractual support for ARIES. Project Sponsors are allowed up to seven percent of their allocation for personnel or other administrative costs. The funding allocation is distributed geographically by HSDA and is based on a formula including HIV/AIDS morbidity, poverty level, and population distribution with annual adjustments for project sponsor funding needs.

The 2008 HOPWA Program budget based on level-funding of the 2007 grant award of \$2,733,000 is allocated as follows:

DSHS administration (3%)	\$81,990
(indirect costs, personnel, supplies, travel, training/technical assistance, contractual support for ARIES)	
Contractual	\$2,651,010
TBRA	\$1,631,144
STRMU	\$562,291
Supportive Services	\$262,005
Permanent Housing Placement	\$10,000
Project Sponsor Administration (7%)	\$185,570

GEOGRAPHIC DISTRIBUTION

The funding allocations are geographically distributed across the state to the 26 HSDAs, excluding 35 counties located in the Eligible Metropolitan Areas (EMAs) that receive direct HOPWA funding from HUD. The 35 counties in the five directly-funded EMAs of Austin, Dallas, Fort Worth, Houston, and San Antonio are as follows: Bastrop, Caldwell, Hays, Travis, Williamson, Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, Rockwall, Johnson, Parker, Tarrant, Wise, Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller, Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

ADMINISTRATIVE AGENCIES AND PROJECT SPONSORS

The following chart summarizes the estimated 2008 HOPWA funding allocation for the eight AAs and their 26 Project Sponsors/HSDAs. The 2008 funding allocations are estimates based on 2007 funding levels and may change as the 2008 HUD award is received and contracts are negotiated.

Administrative Agency	2008 funding allocation	Project Sponsor/HSDA	2008 funding allocation
Alamo Area Council of Governments 8700 Tesoro Dr., Suite 700 San Antonio, TX 78217	169,433	Alamo Area Resource Center/San Antonio	69,093
		United Medical Centers/Uvalde	19,712
		Victoria City-County Health Department/Victoria	80,628
Brazos Valley Council of Governments P.O. Box 4128 Bryan, TX 77805-4128	300,156	Community Action, Inc./Austin	33,543
		San Angelo AIDS Foundation/Concho-Plateau	65,252
		United Way of the Greater Fort Hood Area/Temple-Killeen	75,134
		Project Unity/Bryan-College Station	38,728
		Waco/McLennan County Public Health District/Waco	87,499
Dallas County HHSD 2377 North Stemmons Frwy., Ste. 600 Dallas, TX 75207-2710	91,862	Dallas County Health and Human Services -HOPWA Program/Dallas	26,707
		Your Health Clinic/Sherman-Dennison	65,155
Houston Regional Resource Group 500 Lovett Boulevard, Ste. 100 Houston, TX 77006	665,269	AIDS Coalition of Coastal Texas/Galveston	51,650
		AIDS Foundation of Houston/Houston	30,163
		Health Horizons/Lufkin	159,666
		Special Health Resources for Texas, Inc. Longview/Tyler	156,132
		Special Health Resources for Texas, Inc. Paris/Texarkana	114,382
		Triangle AIDS Network/Beaumont-Port Arthur	153,276
Lubbock Regional MHMR Center P.O. Box 2828 1602 Tenth St. Lubbock, TX 79408-2828	337,049	Panhandle AIDS Service Organization/Amarillo	126,406
		Permian Basin Community Center/Permian-Basin	115,869
		Planned Parenthood Association of Lubbock/Lubbock	94,774

Planned Parenthood Center of El Paso 1801 Wyoming Avenue, Ste. 202 El Paso, TX 79902	360,815	Planned Parenthood Center of El Paso/El Paso	360,815
South Texas Development Council (STDC) P.O. Box 2187 4812 North Bartlett Laredo, TX 78044-2187	553,100	City of Laredo Health Department/Laredo	97,922
		Coastal Bend AIDS Foundation/Corpus Christi	101,640
		Valley AIDS Council/Brownsville	353,538
Tarrant County Health Department 1101 South Main St., Ste. 2500 Fort Worth, TX 76104-4802	173,326	AIDS Resources of Rural Texas – Abilene/Abilene	63,476
		AIDS Resources of Rural Texas – Weatherford/Fort Worth	56,048
		Wichita Falls Wichita County Health Department/Wichita Falls	53,802
Total	2,651,010		2,651,010

CLIENT PARTICIPATION

Clients participate in shaping local approaches to meeting housing needs in three ways:

All areas conduct periodic needs assessment of client needs, and assessment of housing needs are included in such assessments. These assessments vary in methodology and depth with which housing needs are explored, which is appropriate given the varying needs for housing assistance in various areas of the state. Additionally, all Ryan White Part A councils in Texas have either completed special assessments of homeless persons or persons at risk for homelessness, or will be completing such assessments within the next year. Assessments in all EMAs are joint Ryan White Part A and B assessments.

All areas must have ways for community members, including clients, to have input into local priorities, allocations, and plans. All plans include discussions of how best to deliver services to meet the needs identified in assessments, and plans that prioritize expenditures on housing or identify housing needs that would include discussions of how best to meet these needs. Plans are written on three to four year cycles, but reviewed annually.

Finally, clients shape housing services via direct interactions with service providers. Through the intake system, HIV/AIDS clients are informed about the HOPWA program, assisted with the application, or referred directly to the HOPWA Project Sponsor. Clients' housing needs are also assessed regularly with case managers as circumstances change and as determined by clients' housing plans.

OUTCOME MEASURES

DSSH HOPWA contractors must address the following outcomes pursuant to the new performance measurement outcome system mandated by HUD for implementation in 2006:

Annual Action Plan - Planned Project Results			
Outcomes and Objectives	Performance Indicators	Expected Number	Activity Description
DH-2	# of households served	550	TBRA housing assistance
DH-2	# of households served	700	STRMU housing assistance
DH-2	# of households served	1250 ²	Supportive Services (restricted to case mgt., smoke detectors, and phone service)
DH-1	# of households served	20 ³	Permanent Housing Placement (security deposits, application fees, credit checks)
Key	Availability/Accessibility	Affordability	Sustainability
Decent Housing	DH-1	DH-2	DH-3

³ This is based on total TBRA and STRMU households expected to be served. All HOPWA households are expected to receive case management services funded by multiple funding streams, including Ryan White, HOPWA, and other leveraged resources.

³ Permanent Housing Placement is a new program activity and a baseline measure of need for this program service is unknown. The expected number is estimated based on \$10,000 budgeted for 20 households.

APPENDIX A:
STANDARD FORM 424 AND STATE CERTIFICATIONS

The forms and certifications will be included in the final version of the Action Plan to be sent to HUD.

APPENDIX B: **ACTION PLAN REQUIREMENTS**

§ 91.320 Action Plan

The action plan must include the following:

- (a) Standard Form 424;
- (b) A concise executive summary that includes the objectives and outcomes identified in the plan as well as an evaluation of past performance, a summary of the citizen participation and consultation process (including efforts to broaden public participation) (24 CFR 91.300 (b)), a summary of comments or views, and a summary of comments or views not accepted and the reasons therefore (24 CFR 91.115 (b)(5)).
- (c) Resources and objectives--(1) Federal resources. The consolidated plan must provide a concise summary of the federal resources expected to be made available. These resources include grant funds and program income.
(2) Other resources. The consolidated plan must indicate resources from private and non-federal public sources that are reasonably expected to be made available to address the needs identified in the plan. The plan must explain how federal funds will leverage those additional resources, including a description of how matching requirements of the HUD programs will be satisfied. Where the state deems it appropriate, it may indicate publicly owned land or property located within the state that may be used to carry out the purposes identified in the plan;
- (3) Annual objectives. The consolidated plan must contain a summary of the annual objectives the state expects to achieve during the forthcoming program year.
- (d) Activities. A description of the state's method for distributing funds to local governments and nonprofit organizations to carry out activities, or the activities to be undertaken by the state, using funds that are expected to be received under formula allocations (and related program income) and other HUD assistance during the program year, the reasons for the allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives described in the consolidated plan, and any obstacles to addressing underserved needs.
- (e) Outcome measures. Each state must provide outcome measures for activities included in its action plan in accordance with guidance issued by HUD. For the CDBG program, this would include activities that are likely to be funded as a result of the implementation of the state's method of distribution.
- (f) Geographic distribution. A description of the geographic areas of the State (including areas of low-income and minority concentration) in which it will direct assistance during the ensuing program year, giving the rationale for the priorities for allocating investment geographically. When appropriate, the state should estimate the percentage of funds they plan to dedicate to target area(s).
- (g) Affordable housing goals. The state must specify one-year goals for the number of households to be provided affordable housing through activities that provide rental assistance, production of new units, rehabilitation of existing units, or acquisition of existing units using funds made available to the state, and one-year goals for the number of homeless, non-homeless, and special-needs households to be provided affordable housing using funds made available to the state. The term affordable housing shall be as defined in 24 CFR 92.252 for rental housing and 24 CFR 92.254 for homeownership.
- (h) Homeless and other special needs activities. Activities it plans to undertake during the next year to address emergency shelter and transitional housing needs of homeless individuals and families (including subpopulations), to prevent low-income individuals and families with children (especially those with incomes below 30 percent of median) from becoming homeless, to help homeless persons make the transition to permanent housing and independent living, specific action steps to end chronic homelessness, and to address the special needs of persons who are not homeless identified in accordance with Sec. 91.315(e);
- (i) Barriers to affordable housing. Actions it plans to take during the next year to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing. Such policies, procedures, and processes include but are not limited to: land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment.
- (j) Other actions. Actions it plans to take during the next year to implement its strategic plan and address obstacles to meeting underserved needs, foster and maintain affordable housing (including the coordination of Low-Income Housing Tax Credits with the development of affordable housing), evaluate and reduce lead-based paint hazards, reduce the number of poverty level families, develop institutional structure, enhance coordination between public and private housing and social service agencies, address the needs of public housing (including

providing financial or other assistance to troubled public housing agencies), and encourage public housing residents to become more involved in management and participate in homeownership.

(k) Program-specific requirements. In addition, the plan must include the following specific information:

(1) CDBG. The action plan must set forth the state's method of distribution.

(i) The method of distribution shall contain a description of all criteria used to select applications from local governments for funding, including the relative importance of the criteria, where applicable. The action plan must include a description of how all CDBG resources will be allocated among funding categories and the threshold factors and grant size limits that are to be applied. The method of distribution must provide sufficient information so that units of general local government will be able to understand and comment on it, understand what criteria and information their application will be judged, and be able to prepare responsive applications. The method of distribution may provide a summary of the selection criteria, provided that all criteria are summarized and the details are set forth in application manuals or other official state publications that are widely distributed to eligible applicants. HUD may monitor the method of distribution as part of its audit and review responsibilities, as provided in Sec. 570.493(a)(1), in order to determine compliance with program requirements.

(ii) If the state intends to help nonentitlement units of general local government apply for guaranteed loan funds under 24 CFR part 570, subpart M, it must describe available guarantee amounts and how applications will be selected for assistance. If a state elects to allow units of general local government to carry out community revitalization strategies, the method of distribution shall reflect the state's process and criteria for approving local government's revitalization strategies.

(2) HOME. (i) The state shall describe other forms of investment that are not described in 24 CFR 92.205(b).

(ii) If the state intends to use HOME funds for homebuyers, it must state the guidelines for resale or recapture, as required in 24 CFR 92.254.

(iii) If the state intends to use HOME funds to refinance existing debt secured by multifamily housing that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under 24 CFR 92.206(b). The guidelines shall describe the conditions under which the state will refinance existing debt. At minimum, the guidelines must:

(A) Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.

(B) Require a review of management practices to demonstrate that disinvestment in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.

(C) State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.

(D) Specify the required period of affordability, whether it is the minimum 15 years or longer.

(E) Specify whether the investment of HOME funds may be state-wide or limited to a specific geographic area, such as a community identified in a neighborhood revitalization strategy under 24 CFR 91.315(g), or a federally designated Empowerment Zone or Enterprise Community.

(F) State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including the CDBG program.

(iv) If the state will receive funding under the American Dream Downpayment Initiative (ADDI) (see 24 CFR part 92, subpart M), it must include:

(A) A description of the planned use of the ADDI funds;

(B) A plan for conducting targeted outreach to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide downpayment assistance for such residents, tenants, and families; and

(C) A description of the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.

(3) ESG. The state shall identify the process for awarding grants to state recipients and a description of how the state intends to make its allocation available to units of local government and nonprofit organizations (including community and faith-based organizations).

(4) HOPWA. For HOPWA funds, the state must specify one-year goals for the number of households to be provided housing through the use of HOPWA activities for short-term rent; mortgage and utility assistance

payments to prevent homelessness of the individual or family; tenant-based rental assistance; and units provided in housing facilities that are being developed, leased or operated with HOPWA funds, and shall identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community-based organizations).

[71 FR 6969, Feb. 9, 2006]

Housing Resource Center

BOARD ACTION REQUEST

December 20, 2007

Action Items

2008 State of Texas Low Income Housing Plan and Annual Report (SLIHP) (Draft for Public Comment)

Required Action

Approval of the 2008 SLIHP. The following supporting attachments are provided:

- Attachment A - Summary of Substantive Changes from the 2007 SLIHP
- Attachment B - *2008 State of Texas Low Income Housing Plan and Annual Report (Draft for Public Comment)*

Background

The Texas Department of Housing and Community Affairs is required to submit the *State of Texas Low Income Housing Plan and Annual Report (SLIHP)* annually to the governor, lieutenant governor, speaker of the house, and legislative oversight committee members not later than 30 days after the TDHCA board receives the final SLIHP. The document offers a comprehensive reference on statewide housing needs, housing resources, and strategies for funding allocations. It reviews TDHCA's housing programs, current and future policies, resource allocation plans to meet state housing needs, and reports on 2007 performance during the preceding fiscal year (September 1, 2006, through August 31, 2007).

The SLIHP will be made available for public comment on January 4th through February 6th, 2008. Public comment will also be received at a public hearing on January 8th. The draft will be brought back to the Board for final approval on March 13th, 2008.

Recommendation

Approval of the *SLIHP Draft for Public Comment* is recommended.

Attachment A

Summary of Substantial Changes from the 2007 SLIHP

- Updated Annual Report section reflecting FY 2007 program performance by households/individuals and income group for the state and each region; updated performance measure information for goals and strategies reflecting FY 2007 performance, including updated targets for FY 2008; updated statewide and regional demographic data including population estimates and assisted housing inventory figures.
- Updated Disaster Initiatives section reflecting the Department's recent efforts in disaster recovery and response to Hurricanes Rita and Katrina. This section includes information on the following programs: CDBG, HOME, and Housing Trust Fund; as well as initiatives from the Community Affairs Division, the Texas Homeownership Division, and the Office of Colonia Initiatives.
- Updated program action plans reflecting programmatic changes. The action plans have also been edited for consistency in length and amount of detail; references to existing plans and rules have been included in the Draft 2008 SLIHP.
- Updated Regional Allocation Formula reflecting statutory changes and updated data.
- Revised Colonia Action Plan that includes needs assessment data for colonias and updated program information including a description of the new reservation system for the Bootstrap Loan Program.
- Overall, the following changes were made to the Draft 2008 SLIHP: delete duplicated information; edit to remove information not required by statute; update terms and references; and reorganize sections for logical order.

Attachment B

2008 State of Texas Low Income Housing Plan and Annual Report

(Draft for Public Comment)

2008 State of Texas Low
Income Housing Plan and
Annual Report
(Draft for Public Comment)

Texas Department of Housing and Community Affairs
December 2007

2008 State of Texas Low Income Housing Plan and Annual Report

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SECTION 1: INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA, Department, Agency) is the State's lead agency responsible for affordable housing. TDHCA is also responsible for administering a wide variety of community affairs, energy assistance, and colonia programs and activities.

INSTITUTIONAL STRUCTURE

In 1991, the 72nd Texas Legislature created the Texas Department of Housing and Community Affairs. The Department's enabling legislation combined programs from the Texas Housing Agency, the Texas Department of Community Affairs, and the Community Development Block Grant Program from the Texas Department of Commerce.

On September 1, 1992, two programs were transferred to TDHCA from the Texas Department of Human Services: the Low Income Home Energy Assistance Program (LIHEAP) and the Emergency Nutrition and Temporary Emergency Relief Program (ENTERP). Effective September 1, 1995, in accordance with House Bill 785, regulation of manufactured housing was transferred to the Department. In accordance with House Bill 7, effective September 1, 2002, the Community Development Block Grant (CDBG) and Local Government Services programs were transferred to the newly created Office of Rural Community Affairs (ORCA). However, TDHCA, through an interagency contract with ORCA, administers 2.5 percent of the CDBG funds used for the Self-Help Centers along the Texas-Mexico border. Effective September 1, 2002, in accordance with Senate Bill 322, the Manufactured Housing Division became an independent entity administratively attached to TDHCA.

AGENCY MISSION AND CHARGE

TDHCA's mission is as follows: To help Texans achieve an improved quality of life through the development of better communities.

TDHCA accomplishes this mission by administering a variety of housing and community affairs programs. A primary function of TDHCA is to act as a conduit for federal grant funds for housing and community services. However, because several major housing programs require the participation of private investors and private lenders, TDHCA also operates as a housing finance agency.

More specific policy guidelines are provided in §2306.002 of TDHCA's enabling legislation.

(a) The legislature finds that:

(1) every resident of this state should have a decent, safe, and affordable living environment;

(2) government at all levels should be involved in assisting individuals and families of low income in obtaining a decent, safe, and affordable living environment; and

(3) the development and diversification of the economy, the elimination of unemployment or underemployment, and the development or expansion of commerce in this state should be encouraged.

(b) The highest priority of the department is to provide assistance to individuals and families of low and very low income who are not assisted by private enterprise or other governmental programs so that they may obtain affordable housing or other services and programs offered by the department.

TDHCA's services address a broad spectrum of housing and community affairs issues that include homebuyer assistance, the rehabilitation of single family and multifamily units, rental assistance, the new construction of single family and multifamily housing, special needs housing, transitional housing, and emergency shelters. Community services include energy assistance, weatherization assistance, health and

Introduction

Texas Department of Housing and Community Affairs

human services, child care, nutrition, job training and employment services, substance abuse counseling, medical services, and emergency assistance.

Funding sources for the services listed above include the US Department of Housing and Urban Development (HUD), US Treasury Department, US Department of Health and Human Services, and US Department of Energy, and State of Texas general revenue funds. With this funding, TDHCA strives to promote sound housing policies; promote leveraging of state and local resources; prevent discrimination; and ensure the stability and continuity of services through a fair, nondiscriminatory, and open process. Recognizing that all the need may not ever be met, the Department looks at where the federal programs and state resources at its disposal could provide the most benefit by managing these limited resources to have the greatest impact.

TDHCA is only one organization in a network of housing and community services providers located throughout the state. This document focuses on programs within TDHCA's jurisdiction, which are intended to either work in cooperation with or as complements to the services provided by other organizations.

ADMINISTRATIVE STRUCTURE

Agency programs are grouped into the following divisions: Multifamily Finance Production, Texas Homeownership Program, HOME Program, Office of Colonia Initiatives, Disaster Recovery, and Community Affairs. In addition, TDHCA includes the following divisions: Administrative Support; Bond Finance; Financial Administration; Information Systems; Internal Audit; Legal Services; Portfolio Management and Compliance; Real Estate Analysis; the Division of Public Affairs; and the Housing Resource Center. The Manufactured Housing Division is administratively attached to TDHCA, though it is an independent entity with its own governing board.

The following table outlines TDHCA's programs. For more detailed program information, please see "TDHCA Program Plans" in the Action Plan section of this document.

Activity	Program	Program Description	Eligible Households
Multifamily Development	HOME Investment Partnerships Program (HOME)	Loans or grants to develop or preserve affordable rental housing	<80% AMFI
	Housing Trust Fund (HTF)	Loans or grants for rental housing development, predevelopment, and other industry innovations	<80% AMFI
	Housing Tax Credit (HTC)	Tax credits to develop or preserve affordable rental housing	<60% AMFI
	Multifamily Bond (MFB)	Loans to develop or preserve affordable rental housing	<60% AMFI
	Community Development Block Grant (CDBG)	Targeted disaster recovery assistance to preserve affordable rental housing	<80% AMFI
Rental Assistance	HOME Program	Loans or grants for entities to provide tenant-based rental assistance for two years	<80% AMFI
	Section 8 Housing Choice Vouchers	Acts as a public housing authority to offer tenant-based rental assistance vouchers in certain areas	<50% AMFI
Single Family Development	HOME Program	Loans or grants for entities to construct single family housing and offer down payment assistance	<80% AMFI
	Colonia Model Subdivision	Loans for Community Housing Development Organizations (CHDOs) to develop residential subdivisions as an alternative to colonias	<60% AMFI
Home Purchase Assistance and Home Repair Assistance	Contract for Deed Conversion Initiative	Facilitates colonia-resident ownership by converting contracts for deed into traditional mortgages	<60% AMFI
	Grant Assistance	Grants in conjunction with the First Time Homebuyer Program for down payment and closing costs	<80% AMFI
	HOME Program	Loan and grants for entities to offer down payment and closing cost assistance	<80% AMFI
	HOME Program	Loans and grants for entities to provide home repair assistance	<80% AMFI
	Lone Star Loan	Market-rate loans with second liens for down payment assistance	<115% AMFI
	Mortgage Credit Certificate	Annual tax credit based on the interest paid on the homebuyer's mortgage loan	<115% AMFI
	Texas Bootstrap Loan	Funds entities to offer owner-builder loans programs	<60% AMFI
	Texas First Time Homebuyer	Low-interest loans for first time homebuyers	<115% AMFI
	Community Development Block Grant (CDBG)	Targeted disaster recovery funding to provide home repair assistance	<80% AMFI
Homebuyer Education	Colonia Consumer Education Services	Homebuyer education offered through Colonia Self-Help Centers and Office of Colonia Initiatives (OCI) field offices	<115% AMFI (All)
	Texas Statewide Homebuyer Education	Training for nonprofits to provide homebuyer education	<115% AMFI (All)
Community Affairs Activities	Community Services Block Grant (CSBG)	Funds local agencies to provide essential services and poverty programs	<50% AMFI
	Emergency Shelter Grants (ESGP)	Funds entities to provide shelter and related services to the homeless	<30% AMFI (Homeless)
	Comprehensive Energy Assistance (CEAP)	Funds local agencies to offer energy education, financial assistance, and HVAC replacement	<50% AMFI
	Weatherization Assistance (WAP)	Funds local agencies to provide minor home repairs to increase energy efficiency	<50% AMFI
Manufactured Housing	Manufactured Housing Division	Regulates the manufactured housing industry. Licenses manufactured housing professionals, titles homes, inspects homes, and investigates manufactured housing complaints.	All

2008 STATE OF TEXAS LOW INCOME HOUSING PLAN AND ANNUAL REPORT

The *2008 State of Texas Low Income Housing Plan and Annual Report* (SLIHP, Plan) is prepared annually in accordance with §2306.072–2306.0724 of the Texas Government Code (TGC). This statute requires that TDHCA provide a comprehensive statement of activities in the preceding year, an overview of statewide housing needs, and a resource allocation plan to meet the state’s housing needs. It offers policy makers, affordable housing providers, and local communities a comprehensive reference on statewide housing need, housing resources, and performance-based funding allocations. The format is intended to help these entities measure housing needs, understand general housing issues, formulate policies, and identify available resources. As such, the Plan is a working document whose annual changes reflect input received throughout the year.

The Plan is organized into eight sections:

- *Introduction*: An overview of TDHCA and the Plan
- *Annual Report*: A comprehensive statement of activities for 2007, including performance measures, actual numbers served, and a discussion of TDHCA’s Strategic Plan goals
- *Housing Analysis*: An analysis of statewide and regional demographic information, housing characteristics, and housing needs
- *TDHCA Action Plan*: A description of TDHCA’s initiatives, resource allocation plans, program descriptions, and goals
- *Public Participation*: Information on the Plan preparation and a summary of public comment
- *Colonia Action Plan*: A revised biennial plan for 2008–2009, which discusses housing and community development needs in the colonias, describes TDHCA’s policy goals, summarizes the strategies and programs designed to meet these goals, and describes projected outcomes to support the improvement of living conditions of colonia residents
- *Texas State Affordable Housing Corporation (TSAHC) Plan*: This section outlines TSAHC’s plans and programs for 2008, and is included in accordance with legislation
- *Appendix*: Includes TDHCA’s enabling legislation

Because the Plan’s legislative requirements are rather extensive, TDHCA has prepared a collection of separate publications in order to fulfill requirements. TDHCA produces the following publications in compliance with §2306.072–2306.0724 of the Texas Government Code:

- *State of Texas Low Income Housing Plan and Annual Report*
- *Basic Financial Statements and Operating Budget*: Produced by TDHCA’s Financial Administration Division and fulfill §2306.072(c)(1)
- *TDHCA Program Guide*: A description of TDHCA’s housing programs and other state and federal housing and housing-related programs, which fulfills §2306.0721(c)(4) and §2306.0721(c)(10)
- *TDHCA Housing Sponsor Report*: A report that provides property and occupant profiles of developments that have received assistance from TDHCA, which fulfills §2306.072(c)(6), §2306.072(c)(8), and §2306.0724

SECTION 2: ANNUAL REPORT

The Annual Report required by §2306.072 of the Texas Government Code includes the following sections:

- TDHCA's Operating and Financial Statements
- *Statement of Activities*: Describes TDHCA activities during the preceding year that worked to address housing and community service needs
- *Statement of Activities by Region*: Describes TDHCA activities by region
- *Housing Sponsor Report*: Describes fair housing opportunities offered by TDHCA's multifamily development inventory
- *Analysis of the Distribution of Tax Credits*: Provides an analysis of the sources, uses, and geographic distribution of housing tax credits
- *Average Rents Reported by County*: Provides a summary of the average rents reported by the TDHCA multifamily inventory

OPERATING AND FINANCIAL STATEMENTS

TDHCA's Operating Budgets and Basic Financial Statements are prepared and maintained by the Financial Administration Division. For copies of these reports, visit <http://www.tdhca.state.tx.us/finan.htm>.

STATEMENT OF ACTIVITIES

The Department has many programs that provide an array of services. This section of the Plan highlights TDHCA's activities and achievements during the preceding fiscal year through a detailed analysis of the following:

- TDHCA's performance in addressing the housing needs of low, very low, and extremely low income households
- TDHCA's progress in meeting its housing and community services goals

This analysis is provided at the State level and within each of the 13 service regions TDHCA uses for planning purposes (see Figure 2.1). For general information about each region, including housing needs and housing supply, please see the Housing Analysis section of this document.

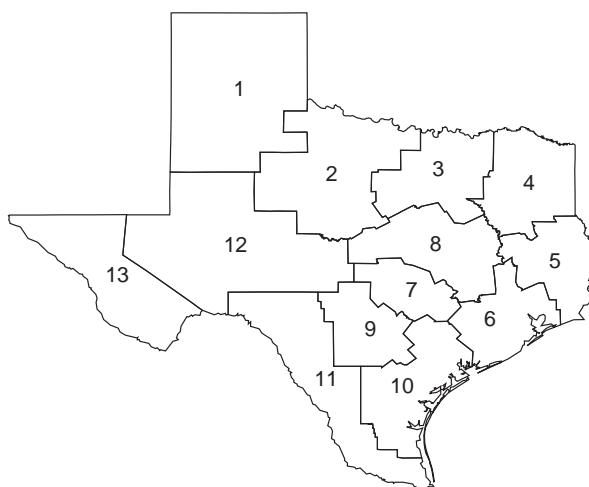


Figure 2.1 State Service Regions

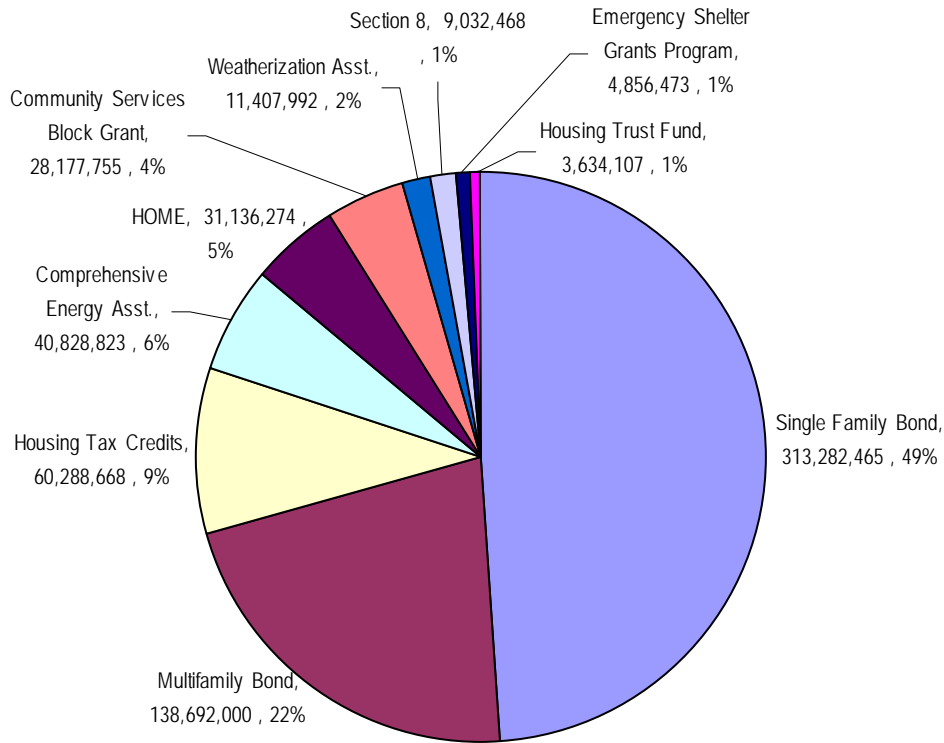
FUNDING COMMITMENTS AND HOUSEHOLDS SERVED BY ACTIVITY AND PROGRAM

For the state and each region, a description of funding allocations, amounts committed, target numbers, and actual number of persons or households served for each program is provided. Along with the summary performance information, data on the following activity subcategories is provided.

- Renter
 - New Construction activities support multifamily development, such as the funding of developments and predevelopment funding.
 - Rehabilitation Construction activities support the acquisition, rehabilitation, and preservation of multifamily units.
 - Tenant Based Assistance is direct rental payment assistance.
- Owner
 - Single family development includes funding for housing developers, nonprofits, or other housing organizations to support the development of single family housing.
 - Single family financing and homebuyer assistance helps households purchase a home, through such activities as mortgage financing, and down payment assistance.
 - Single family owner-occupied assistance helps existing homeowners who need home rehabilitation and reconstruction assistance.
 - Community services includes supportive services, energy assistance, and homeless assistance activities.

In FY 2007, TDHCA committed \$641,337,025 in total funds. Almost all of this funding, over 99 percent of the total, came from federal sources. TDHCA committed funding for activities that predominantly benefited extremely low, very low, and low income individuals. The chart below displays the distribution of this funding by program activity.

Total Funding By Program, FY 2007
Total Funds Committed: \$641,337,025



Funding and Households/Persons Served by Activity, FY 2007, All Activities

Household Type	Activity	Committed Funds	Number of Households/Individuals Served	% of Total Committed Funds	% of Total Households/Individuals Served
Renter	New Construction	\$168,850,824	9,081	26%	2%
	Rehab Construction	\$36,490,721	3,517	6%	1%
	Rental Assistance	\$9,032,468	1,153	1%	0%
Owner	Financing & Down Payment	\$319,519,278	2,896	50%	1%
	Rehabilitation Assistance	\$22,172,691	378	3%	0%
	Supportive Services	\$28,177,755	278,130	4%	60%
	Energy Related	\$52,236,815	60,627	8%	13%
	Homeless Services	\$4,856,473	104,414	1%	23%
Total		\$641,337,025	460,196	100%	100%

Annual Report

Statement of Activities

Funding and Households/Persons Served by Housing Program, FY 2007

Household Type	Activity	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8*	
		Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served
Renter	New Construction	\$0	-	\$4,718,752	102	\$0	-	\$47,100,072	6,989	\$117,032,000	1,990	\$0	-
	Rehab. Construction	\$0	-	\$1,642,125	65	\$0	-	\$13,188,596	2,905	\$21,660,000	547	\$0	-
	Rental Assistance	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$9,032,468	1,153
Owner	Financing & Down Pmt.	\$313,282,465	2,727	\$2,940,843	47	\$3,295,970	122	\$0	-	\$0	-	\$0	-
	Rehabilitation Asst.	\$0	-	\$21,834,554	366	\$338,137	12	\$0	-	\$0	-	\$0	-
Total		\$313,282,465	2,727	\$31,136,274	580	\$3,634,107	134	\$60,288,668	9,894	\$138,692,000	2,537	\$9,032,468	1,153

*Includes \$2,009,754 awarded to several 2004 developments. The households served were reported in 2004, and are not reported for 2007.

Funding and Households/Persons Served by Community Affairs Program, FY 2007

Activity	ESGP^		CSBG^*		CEAP`		WAP`*	
	Committed Funds	# of Individuals Served	Committed Funds	# of Individuals Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served
Supportive Services	\$0	0	\$28,177,755	278,130	\$0	0	\$0	0
Energy Related	\$0	0	\$0	0	\$40,828,823	56,618	\$11,407,992	4,009
Homeless Services	\$4,856,473	104,414	\$0	0	\$0	0	\$0	0
Total	\$4,856,473	104,414	\$28,177,755	278,130	\$40,828,823	56,618	\$11,407,992	4,009

*For these programs, funds and households served reflect different 12 month periods.

`For these programs, household counts reflect 9 months; remaining three months will be updated before the final report.

^ ESGP and CSBG programs represent individuals served, not households

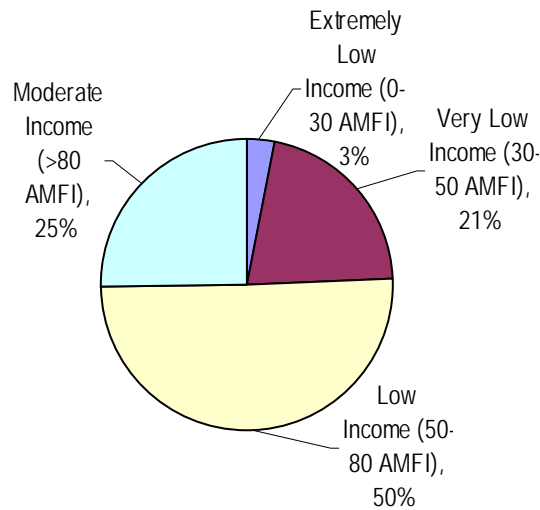
FUNDING COMMITMENTS AND HOUSEHOLDS SERVED BY INCOME GROUP

The SLIHP uses the following subcategories to refer to the needs of households or persons within specific income groups.

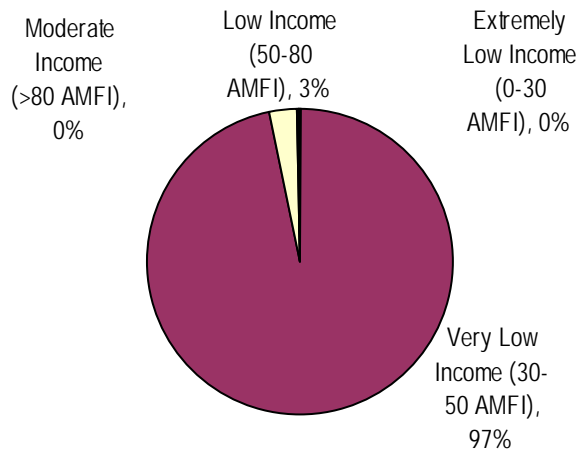
- Extremely Low Income (ELI): 0% to 30% area median family income (AMFI)
- Very Low Income (VLI): 31% to 50% (AMFI)
- Low Income (LI): 51% to 80% (AMFI)
- Moderate Income and Up (MI): >80% (AMFI)

The vast majority of households and individuals served through CEAP, WAP, and ESGP earn less than 30 percent area median family income. However, federal tracking of assistance from these programs is based on poverty guidelines, which do not translate easily to an AMFI equivalent. For conservative reporting purposes, assistance in these programs is reported in the VLI category.

Total Funding by Income Level, FY 2007



Total Households Served by Income Level, FY 2007



Annual Report

Statement of Activities

Funding and Households/Persons Served by Income Category, FY 2007

All Activities				
Activity	Committed Funds*	Number of Households/Individuals Served	% of Total Committed Funds	% of Total Households/Individuals Served
Extremely Low Income (0-30 AMFI)	\$19,605,793	1,491	3%	0%
Very Low Income (30-50 AMFI)	\$135,965,258	444,704	21%	97%
Low Income (50-80 AMFI)	\$321,261,371	12,732	50%	3%
Moderate Income (>80 AMFI)	\$162,494,849	1269	25%	0%
Total	\$639,327,271	460,196	100%	100%

*Does not include \$2,009,745 of HTC awarded to 2004 developments.

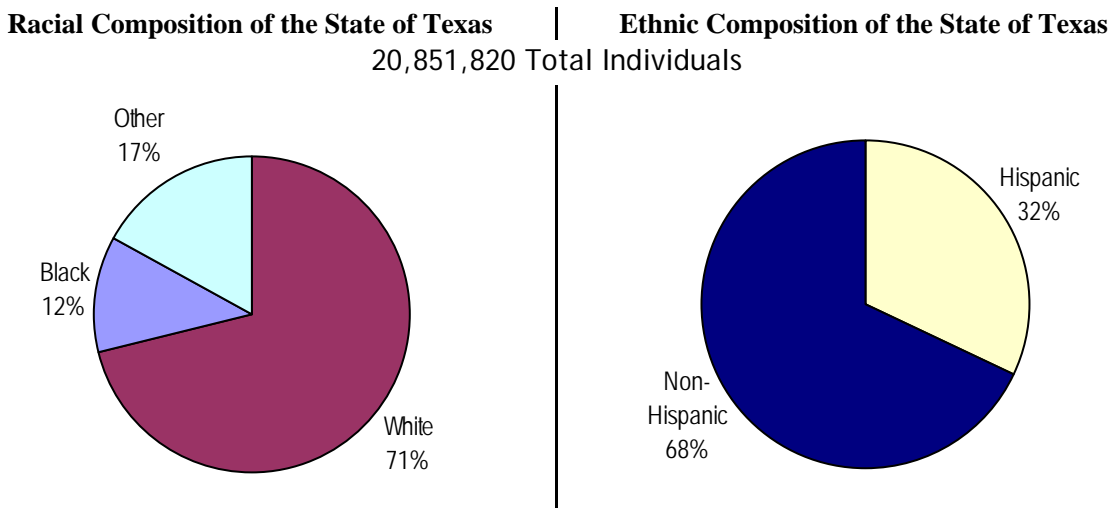
Activity	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8	
	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served
Extremely Low Income (0-30 AMFI)	\$1,816,037	33	\$4,120,150	72	\$1,197,000	42	4,215,969	485	\$462,857	9	\$7,793,780	850
Very Low Income (30-50 AMFI)	\$25,695,359	324	\$18,316,052	345	\$2,207,107	83	3,300,661	515	\$0	-	\$1,175,036	266
Low Income (50-80 AMFI)	\$125,474,856	1,157	\$8,700,072	163	\$170,000	7	50,762,284	8,894	\$136,090,507	2,474	\$63,652	37
Moderate Income (>80 AMFI)	\$160,296,213	1,213	\$0	-	\$60,000	2	-	0	\$2,138,636	54	\$0	-
Total	\$313,282,465	2,727	\$31,136,274	580	\$3,634,107	134	\$58,278,914	9,894	\$138,692,000	2,537	\$9,032,468	1,153

*Does not include \$2,009,745 of HTC awarded to 2004 developments.

Activity	ESGP*		CSBG*		CEAP		WAP	
	Committed Funds	# of Individuals Served	Committed Funds	# of Individuals Served	Committed Funds	# of Households Served	Committed Funds	# of Households Served
Extremely Low Income (0-30 AMFI)	\$0	-	\$0	-	\$0	-	\$0	-
Very Low Income (30-50 AMFI)	\$4,856,473	104,414	\$28,177,755	278,130	\$40,828,823	56,618	\$11,407,992	4,009
Low Income (50-80 AMFI)	\$0	-	\$0	-	\$0	-	\$0	-
Moderate Income (>80 AMFI)	\$0	-	\$0	-	\$0	-	\$0	-
Total	\$4,856,473	104,414	\$28,177,755	278,130	\$40,828,823	56,618	\$11,407,992	4,009

RACIAL AND ETHNIC COMPOSITION OF HOUSEHOLDS RECEIVING ASSISTANCE

As required by legislation, TDHCA reports on the racial and ethnic composition of individuals and families receiving assistance. These demographic categories are delineated according to the standards set by the U.S. Census. Accordingly, “race” is broken down into three subclassifications: White, Black, and Other. “Other” includes races other than White and Black, as well as individuals with two or more races. As ethnic origin is considered to be a separate concept from racial identity, the Hispanic population is represented in a separate chart. Persons of Hispanic origin may fall under any of the racial classifications. Households assisted through each TDHCA program or activity have been delineated according to these categories. Regional analyses of this racial data are included in the Statement of Activities by Uniform State Service Region section that follows. Note that the state population racial composition charts examine individuals, while the many program racial composition charts examine households.



Housing Programs

Racial and ethnic data on housing programs is presented below using two general categories: Renter Programs and Homeowner Programs. Office of Colonia Initiatives programs are reported in the Homeowner Programs category under the following funding sources: HOME Program for Contract for Deed loans, Single Family Bond for some Contract for Deed loans and some Texas Bootstrap Program loans, and the Housing Trust Fund for some Texas Bootstrap loans.

Renter Programs

The following charts depict the racial and ethnic composition of households receiving assistance from all TDHCA renter programs. Included in this category are households participating in TDHCA’s Tenant Based Rental Assistance Program (TBRA) and Section 8 Housing Choice Voucher Program, as well as households residing in TDHCA-funded multifamily properties.

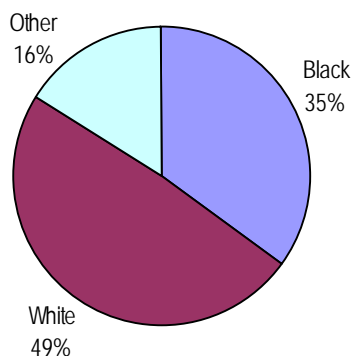
Multifamily properties receive funding through one or more of the following TDHCA programs: the Housing Tax Credit Program, Housing Trust Fund, HOME Investment Partnership Program, and Multifamily Bond Program. Data for these programs is collected from the Fair Housing Sponsor Report, which is gathered each year from TDHCA-funded housing developments. The report includes information about each property, including the racial composition of the tenant population as of December 31 of the given year. Accordingly, the 2007 report is a snapshot of property characteristics on December 31, 2006.

Annual Report

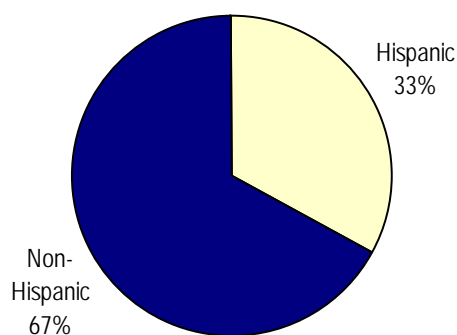
Statement of Activities

It should be noted that the Housing Sponsor Report does not report on or represent all units financed by TDHCA. Some submitted reports describe properties under construction, which do not yet have occupied units. Some properties did not submit a report, and still others did not fill out the report accurately. Therefore, TDHCA is left with usable data for only a portion of existing multifamily units. For racial and ethnicity analysis, only 82% of the unit data received from the monitored properties could be used. As a result, the following charts present a picture of race and ethnicity based on samples, and may not represent actual percentages.

Racial Composition of TDHCA-Assisted Renter Households



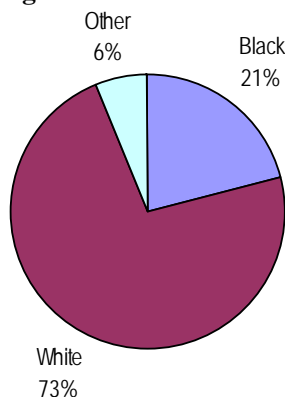
Ethnic Composition of TDHCA-Assisted Renter Households



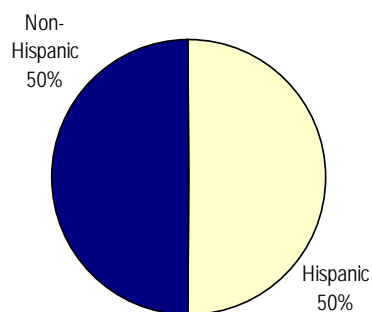
Homeowner Programs

The following charts depict the racial and ethnic composition of households receiving assistance from all TDHCA homeowner programs. TDHCA homeowner assistance comes in the form of three programs: the Single Family Bond Program, HOME Owner-Occupied Home Repair Program, and HOME Homebuyer Assistance Program. Due to the data reporting techniques of the Single Family Bond Program, race and ethnicity are combined into one category.

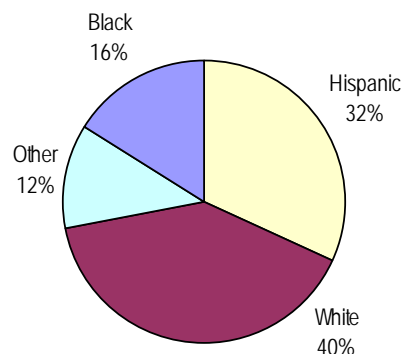
Racial Composition of HOME Program Owner Households



Ethnic Composition of HOME Program Owner Households



Ethnic Composition of SF Bond Program Owner Households



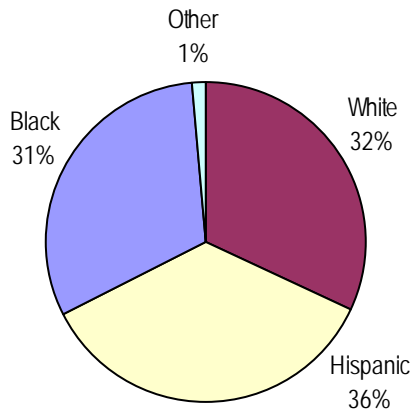
Community Affairs Programs

The Community Affairs programs allocate funding to entities with service areas that span across two or more uniform state service regions, so racial data for these programs is reported by entity rather than region. Due to the data reporting techniques of the Weatherization Assistance Program (WAP), Energy Assistance Program (CEAP), and Community Services Block Grant (CSBG) Program race and ethnicity are combined into one category. The Emergency Shelter Grant Program (ESGP) reports race and ethnicity as two separate categories

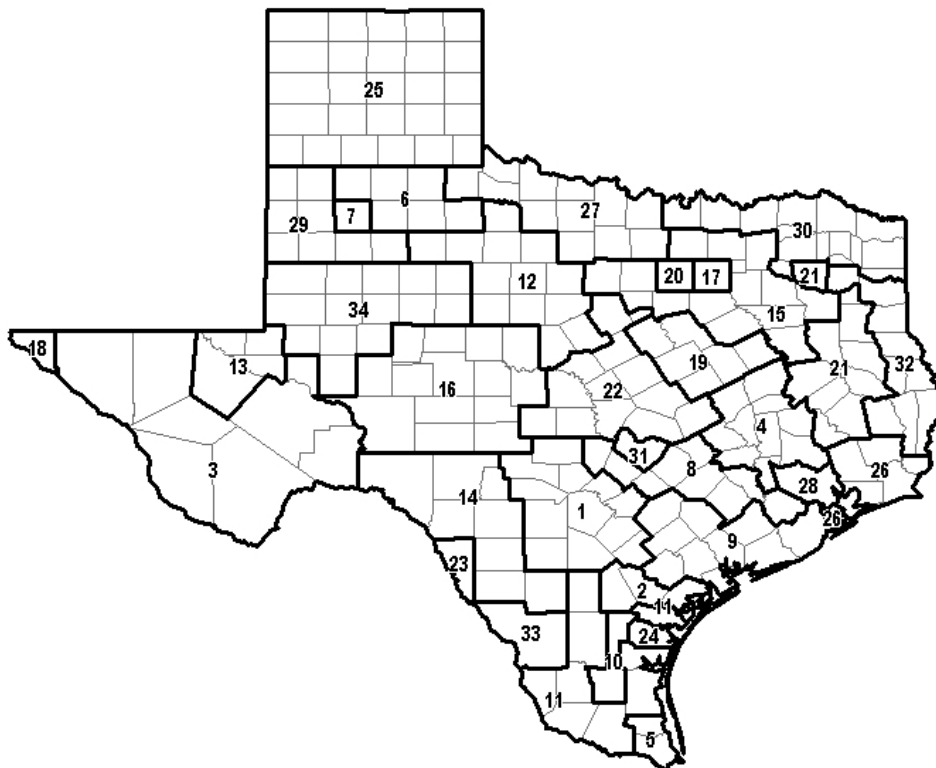
Weatherization Assistance Program

The Weatherization Assistance Program (WAP) funds a network of subcontractor organizations, some of which have a service area that spans across two or more regions. Because of this, WAP racial composition data for FY 2007 is listed according to subcontractor. A map is provided in order to locate subcontractor service areas. Racial and ethnic composition for the state is available, but because this data does not fit into regional boundaries, regional data is not available.

Racial and Ethnic Composition of WAP Assisted Households, Statewide, 2007



WAP Subcontractor Service Areas, FY 2007



**Racial and Ethnic Composition of Households Receiving WAP Assistance
by Subcontractor, Statewide, PY 2007**

# on Map	Subcontractor	Counties Served	PY 2007 Allocations (4/07 – 3/08)	Households Served	White*	Hispanic*	Black*	Other*
1	Alamo Area Council of Governments	Atascosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson	\$912,393	440	172	179	23	6
2	Bee Community Action Agency	Bee, Live Oak, Refugio	\$47,417	9	1	6	2	0
3	Big Bend Community Action Committee, Inc.	Brewster, Crane, Culberson, Hudspeth, Jeff Davis, Pecos, Presidio, Terrell	\$142,797	26	4	20	2	0
4	Brazos Valley Community Action Agency	Brazos, Burleson, Grimes, Leon, Madison, Montgomery, Robertson, Walker, Waller, Washington	\$373,186	83	20	3	47	0
5	Cameron and Willacy Counties Community Projects, Inc.	Cameron, Willacy	\$325,106	112	2	110	0	0
6	Caprock Community Action Association, Inc.	Crosby, Dickens, Floyd, Hale, King, Motley	\$113,817	34	5	26	3	0
7	Combined Community Action, Inc.	Austin, Bastrop, Blanco, Caldwell, Colorado, Fayette, Fort Bend, Hays, Lee	\$211,561	51	26	20	1	4
8	Community Action Committee of Victoria	Aransas, Brazoria, Calhoun, DeWitt, Goliad, Gonzales, Jackson, Lavaca, Matagorda, Victoria, Wharton	\$294,262	112	48	27	17	0
9	Community Action Corporation of South Texas	Brooks, Jim Wells	\$55,584	13	0	13	0	0
10	Community Action Council of South Texas*	Duval, Hidalgo, Jim Hogg, Kenedy, Kleberg, McMullen, San Patricio, Starr, Zapata	\$773,835	224	14	210	0	0
11	Community Action Program, Inc.	Brown, Callahan, Comanche, Eastland, Haskell, Jones, Kent, Knox, Shackelford, Stephens, Stonewall, Taylor, Throckmorton	\$252,816	95	61	21	13	0
12	Community Council of Reeves County	Loving, Reeves, Ward, Winkler	\$42,878	36	6	28	2	0
13	Community Services Agency of South Texas	Dimmit, Edwards, Kinney, LaSalle, Real, Uvalde, Val Verde, Zavala	\$164,994	71	4	65	0	0
14	Community Services, Inc.	Anderson, Collin, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Smith, Van Zandt	\$611,904	262	167	13	66	2
15	Concho Valley Community Action Agency	Coke, Coleman, Concho, Crockett, Irion, Kimble, McCulloch, Menard, Reagan, Runnels, Schleicher, Sterling, Sutton, Tom Green	\$221,596	57	28	27	2	0
16	DALLAS COUNTY DEPT. OF HUMAN SERVICES	Dallas	\$846,245	288	38	50	177	23
17	Economic Opportunities Advancement Corporation of Planning Region XI	Bosque, Falls, Freestone, Hill, Limestone, McLennan	\$233,042	111	41	2	63	0

Annual Report

Statement of Activities

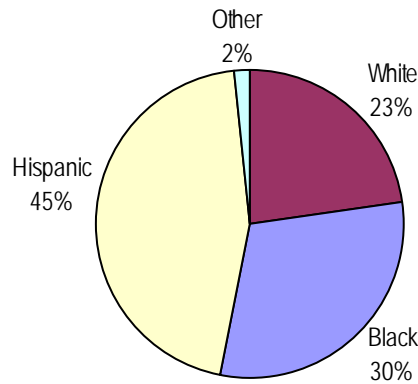
# on Map	Subcontractor	Counties Served	PY 2007 Allocations (4/07 – 3/08)	Households Served	White*	Hispanic*	Black*	Other*
18	El Paso Community Action Program-Project Bravo, Inc	El Paso	\$453,044	166	6	156	4	0
19	Fort Worth Housing Dept.	Tarrant	\$475,408	114	15	18	79	2
20	Greater East Texas Community Action Program (GETCAP)	Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Trinity, Wood	\$362,824	170	93	5	66	0
21	Hill Country Community Action Association, Inc.	Bell, Burnet, Coryell, Erath, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba, Somervell, Williamson	\$273,142	64	60	0	0	4
22	Lubbock, City of, Community Development Dpt.	Lubbock	\$153,425	42	10	19	13	0
23	Maverick County Human Services Department	Maverick	\$60,733	17	0	17	0	0
24	Nueces County Community Action Agency	Nueces	\$193,007	39	4	30	5	0
25	Panhandle Community Services	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	\$384,223	102	47	37	18	0
26	Programs for Human Services	Chambers, Galveston, Hardin, Jefferson, Liberty, Orange	\$397,630	146	75	2	67	2
27	Rolling Plains Management Corporation	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Wise, Young	\$202,621	130	88	24	16	0
28	Sheltering Arms Senior Services, Inc.	Harris	\$1,408,776	409	16	46	345	2
29	South Plains Community Action Association, Inc.	Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum	\$96,285	61	22	38	1	0
30	Texoma Council of Governments	Bowie, Camp, Cass, Cooke, Delta, Fannin, Franklin, Grayson, Hopkins, Lamar, Marion, Morris, Rains, Red River, Titus	\$370,100	191	100	4	87	0
31	Travis County HHS	Travis	\$285,129	137	40	55	38	4
32	Tri-County Community Action, Inc.	Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur	\$213,305	57	15	0	42	0
33	Webb County Community Action Agency	Webb	\$145,908	42	0	42	0	0
34	West Texas Opportunities	Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Mitchell, Nolan, Scurry, Upton	\$308,982	98	12	68	17	0
	WAP TOTAL	STATE	\$11,407,992	4009	1240	1381	1216	49

*Units served and race/ethnicity data was gathered for the current calendar year (1/1/2007 - 9/30/2007). The final version of this document will contain updated data from all of 2007.

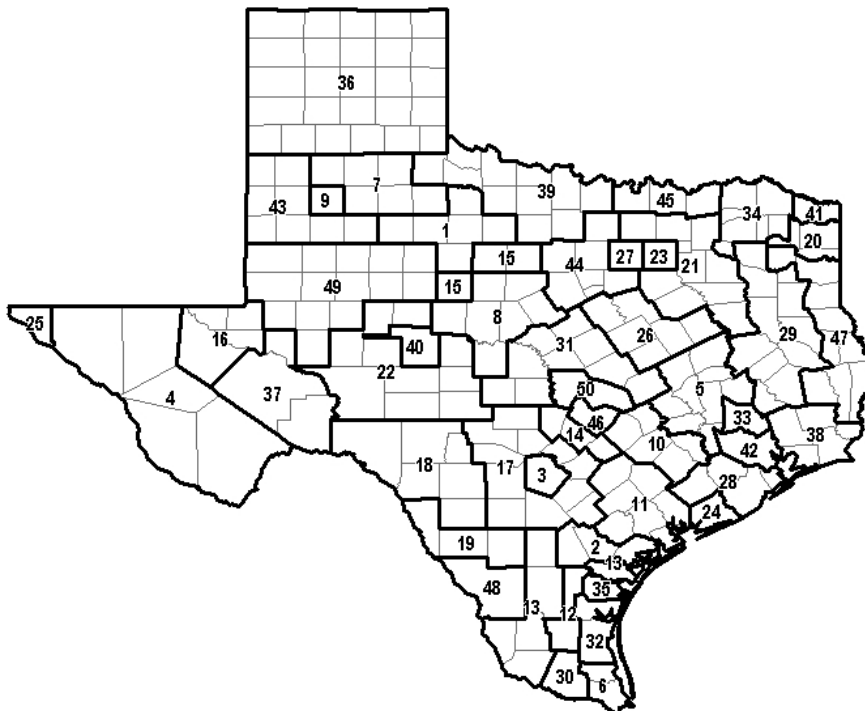
Comprehensive Energy Assistance Program

The Comprehensive Energy Assistance Program (CEAP) funds a network of subcontractor organizations, some of which have a service area that spans across two or more regions. Because of this, CEAP racial composition data for FY 2007 is listed according to subcontractor. A map is provided in order to locate subcontractor service areas. Racial composition for the state is available, but because this data does not fit into regional boundaries, regional data is not available.

Racial and Ethnic Composition of CEAP Assisted Households, Statewide, PY 2007



CEAP Subcontractor Service Areas, FY 2007



Note: In the final version of this document, the numbers in the table below will be updated to reflect the most current figures

**Racial and Ethnic Composition of Households Receiving CEAP Assistance
by Subcontractor, Statewide, FY 2007**

# on Map	Subcontractor	Counties Served	PY 2007 Allocation	Households Served	White*	Hispanic*	Black*	Other*
1	Aspermont Small Business Development Center, Inc.	Haskell, Jones, Kent, Knox, Stonewall, Throckmorton	\$307,154	368	174	58	136	0
2	Bee Community Action Agency	Bee, Live Oak, Refugio	\$169,705	297	401	136	493	3
3	Bexar County HHS	Bexar	\$2,457,675	2687	220	451	2004	12
4	Big Bend Community Action Committee, Inc.	Brewster, Culberson, Hudspeth, Jeff Davis, Presidio	\$336,349	650	63	0	585	2
5	Brazos Valley Community Action Agency	Brazos, Burleson, Grimes, Leon, Madison, Robertson, Walker, Waller, Washington	\$991,790	1244	314	815	108	7
6	Cameron and Willacy Counties Community Projects, Inc.	Cameron, Willacy	\$1,163,543	3150	36	14	3100	0
7	Caprock Community Action Association, Inc.	Crosby, Dickens, Floyd, Hale, King, Motley	\$407,345	1039	220	121	698	1
8	Central Texas Opportunities, Inc.	Brown, Callahan, Coleman, Comanche, Eastland, McCulloch, Runnels	\$463,577	642	503	49	87	3
9	Combined Community Action, Inc.	Austin, Bastrop, Colorado, Fayette, Lee	\$325,556	431	128	264	39	0
10	Community Action Committee of Victoria	Aransas, Calhoun, DeWitt, Goliad, Gonzales, Jackson, Lavaca, Victoria	\$567,518	1118	322	329	463	4
11	Community Action Corporation of South Texas	Brooks, Jim Wells	\$198,934	286	11	6	269	0
12	Community Action Council of South Texas*	Duval, Jim Hogg, McMullen, San Patricio, Starr, Zapata	\$670,759	999	23	8	968	0
13	Community Action Inc., of Hays, Caldwell and Blanco Counties	Blanco, Caldwell, Hays	\$224,146	320	99	108	112	1
14	Community Action Program, Inc.	Shackelford, Stephens, Taylor	\$306,770	419	164	98	155	2
15	Community Council of Reeves County	Loving, Reeves, Ward, Winkler	\$153,461	318	46	17	254	1
16	Community Council of South Central Texas, Inc.	Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson	\$807,748	1561	503	68	977	13
17	Community Council of Southwest Texas, Inc.	Edwards, Kinney, Real, Uvalde, Val Verde, Zavala	\$470,759	372	19	2	347	4
18	Community Services Agency of South Texas	Dimmit, La Salle, Maverick	\$337,112	426	7	0	419	0
19	Community Services of Northeast Texas	Camp, Cass, Marion, Morris	\$268,622	402	131	261	6	4
20	Community Services, Inc.	Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, Van Zandt	\$1,452,319	1440	750	523	141	26
21	Concho Valley Community Action Agency	Coke, Concho, Crockett, Irion, Kimble, Menard, Reagan, Schleicher, Sterling, Sutton	\$395,237	462	166	4	289	3
22	DALLAS COUNTY DEPT. OF HUMAN SERVICES	Dallas	\$3,028,684	3066	360	2421	232	53
23	ECONOMIC ACTION COMMITTEE OF GULF COAST	Matagorda	\$103,281	86	13	64	9	0
24	Economic Opportunities Advancement Corporation of Planning Region XI	Bosque, Falls, Freestone, Hill, Limestone, McLennan	\$834,052	750	304	380	66	0
25	El Paso Community Action Program-Project Bravo, Inc	El Paso	\$1,621,431	4504	145	116	4217	26
26	Fort Worth, City of, Parks & Community Services Department	Tarrant	\$1,701,470	1717	407	996	294	20

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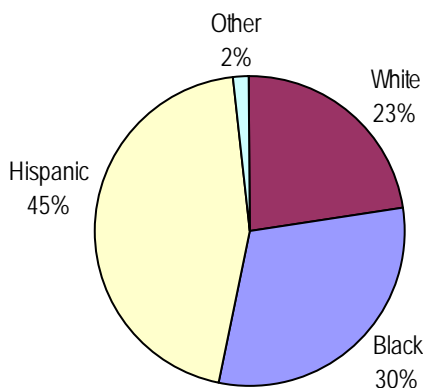
# on Map	Subcontractor	Counties Served	PY 2007 Allocation	Households Served	White*	Hispanic*	Black*	Other*
27	Galveston County Community Action Council, Inc.	Brazoria, Fort Bend, Galveston, Wharton	\$1,005,146	990	196	580	209	5
28	Greater East Texas Community Action Program (GETCAP)	Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Smith, Trinity, Wood	\$1,633,902	2661	901	1615	135	10
29	Hidalgo County Community Services Agency	Hidalgo	\$1,762,226	2900	35	3	2856	6
30	Hill Country Community Action Association, Inc.	Bell, Coryell, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba	\$705,023	1091	636	275	163	17
31	KLEBERG COUNTY HUMAN SERVICES	Kenedy, Kleberg	\$336,545	342	25	40	276	1
32	Lubbock, City of, Community Development Dpt.	Lubbock	\$549,103	841	204	269	357	11
33	MONTGOMERY COUNTY EMERGENCY ASSISTANCE	Montgomery	\$343,829	517	322	169	14	12
34	NORTHEAST TEXAS OPPORTUNITIES, INC	Delta, Franklin, Hopkins, Lamar, Rains, Red River, Titus	\$461,686	673	348	319	6	0
35	Nueces County Community Action Agency	Nueces	\$690,768	699	53	139	505	2
36	Panhandle Community Services	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	\$1,375,124	2543	1182	382	979	0
37	Pecos County Community Action Agency	Crane, Pecos, Terrell	\$174,717	360	44	0	316	0
38	PROGRAMS FOR HUMAN SERVICES	Chambers, Hardin, Jefferson, Liberty, Orange	\$1,007,783	955	240	643	15	57
39	Rolling Plains Management Corporation	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young	\$660,170	826	497	192	121	16
40	SAN ANGELO/TOM GREEN COUNTY HEALTH DEPT	Tom Green	\$225,169	239	120	12	107	0
41	SENIOR CITIZENS SERVICES OF TEXARKANA	Bowie	\$216,821	307	96	208	3	0
42	SHELTERING ARMS SENIOR SVCS, INC, THE	Harris	\$5,041,964	5075	555	3289	576	655
43	South Plains Community Action Association, Inc.	Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum	\$344,604	598	109	81	405	3
44	Texas Neighborhood Services	Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, Wise	\$560,536	422	358	24	38	2
45	Texoma Council of Governments	Cooke, Fannin, Grayson	\$377,447	440	300	130	9	1
46	Travis County HHS	Travis	\$1,020,469	1376	291	637	416	32
47	Tri-County Community Action, Inc.	Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur	\$763,412	945	350	586	7	2
48	Webb County Community Action Agency	Webb	\$522,201	821	6	0	815	0
49	West Texas Opportunities	Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Mitchell, Nolan, Scurry, Upton	\$1,105,839	1912	527	346	1030	9
50	Williamson-Burnet County Opportunities, Inc.	Burnet, Williamson	\$179,316	331	185	70	68	8
	TOTAL	STATE	\$40,828,823	56,618	13,109	17,318	25,894	1,034
					23%	30%	45%	2%

*The households and race/ethnicity data is based on the 2007 calendar year. The final version of this document will contain updated data from all of 2007.

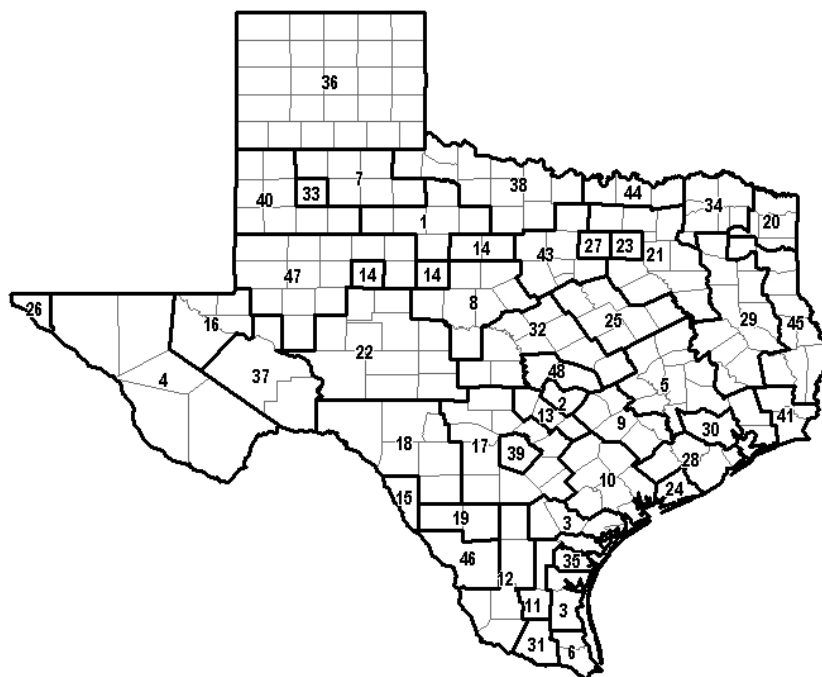
Community Services Block Grant Program

The Community Services Block Grant Program (CSBG) funds a network of subcontractor organizations, some of which have a service area that spans across two or more regions. In addition, some CSBG subcontractors have been awarded funding for special projects that overlap existing service areas. Because of this, CSBG racial composition data for FY 2007 is listed according to subcontractor. A map is provided in order to locate subcontractor service areas. Racial composition for the state is available, but because this data does not fit into regional boundaries, regional data is not available.

Racial and Ethnic Composition of Individuals Receiving CSBG Assistance, Statewide, FY 2007



CSBG Subcontractor Service Areas, FY 2007



**Racial Composition of Individuals Receiving CSBG Assistance
by Subcontractor, Statewide, FY 2007**

# on Map	Contractor	County Served	FY 2007 Funding	Individuals Served	White	Hispanic	Black	Other
1	Alabama-Coushatta Indian Reservation	Polk, Tyler	\$60,834	157	2	0	1	154
2	Asociacion Pro Servicios Sociales	Jim Hogg, Starr, Webb, Zapata	\$105,538	945	0	945	0	0
3	Aspermont Small Business Development Center, Inc.	Haskell, Jones, Kent, Knox, Stonewall, Throckmorton	\$150,000	1289	517	563	171	38
4	Austin, City of, Health and Human Services Department	Travis	\$803,132	7056	781	3657	2443	175
5	Bee Community Action Agency	Aransas, Bee, Kenedy, Kleberg, Live Oak, Refugio	\$249,242	2595	672	1713	155	55
6	Big Bend Community Action Committee, Inc.	Brewster, Culberson, Hudspeth, Jeff Davis, Presidio	\$150,000	2812	208	2584	13	7
7	Brazos Valley Community Action Agency	Brazos, Burleson, Chambers, Grimes, Leon, Liberty, Madison, Montgomery, Robertson, Walker, Waller, Washington	\$861,501	7210	1977	1586	3530	117
8	*Cameron and Willacy Counties Community Projects, Inc.	Cameron, Willacy	\$955,808	10944	106	10814	22	2
9	Caprock Community Action Association, Inc.	Crosby, Dickens, Floyd, Hale, King, Motley	\$167,590	3318	446	2576	287	9
10	Central Texas Opportunities, Inc.	Brown, Callahn, Coleman, Comanche, Eastland, McCulloch, Runnels	\$204,296	2312	1643	505	138	26
11	Combined Community Action, Inc.	Austin, Bastrop, Colorado, Fayette, Lee	\$186,713	1098	319	188	589	2
12	Community Action Committee of Victoria Texas	Calhoun, De Witt, Goliad, Gonzales, Jackson, Lavaca, Victoria	\$270,870	5414	1320	2767	1288	39
13	Community Action Corporation of South Texas	Brooks, Jim Wells, San Patricio	\$231,597	1369	76	1263	30	0
14	Community Action Council of South Texas	Duval, Jim Hogg, McMullen, Starr, Zapata	\$318,302	2858	33	2819	5	1
15	Community Action Inc., of Hays, Caldwell and Blanco Counties	Blanco, Caldwell, Hays	\$186,655	2146	682	1109	307	48
16	Community Action Program, Inc.	Mitchell, Shackelford, Stephens, Taylor	\$221,975	1521	470	664	366	21
17	*Community Action Social Services & Education	Maverick	\$229,176	1647	0	1647	0	0
18	Community Council of Reeves County	Loving, Reeves, Ward, Winkler	\$197,754	1203	159	980	57	7
19	*Community Council of South Central Texas, Inc.	Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson	\$566,643	7323	1920	5032	313	58

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20	*Community Council of Southwest Texas, Inc.	Edwards, Kinney, Real, Uvalde, Val Verde, Zavala	\$328,579	1966	78	1849	20	19
21	*Community Services Agency of South Texas	Dimmit, La Salle	\$164,927	864	11	852	1	0
22	Community Services of Northeast Texas, Inc.	Bowie, Cass, Marion, Morris, Camp	\$255,259	1962	863	120	933	46
23	Community Services, Inc.	Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, Van Zandt	\$939,568	7776	3437	1180	2888	271
24	Concho Valley Community Action Agency	Coke, Concho, Crockett, Irion, Kimble, Menard, Reagan, Schleicher, Sterling, Sutton, Tom Green	\$254,407	1062	364	646	44	8
25	Dallas Inter-Tribal Center	Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall	\$109,559	971	39	53	9	870
26	Dallas Urban League	Dallas	\$2,353,454	8028	709	1885	5270	164
27	Economic Action Committee of The Gulf Coast	Matagorda	\$150,000	698	107	253	330	8
28	Economic Opportunities Advancement Corporation of Planning Region XI	Bosque, Falls, Freestone, Hill, Limestone, McLennan	\$461,053	3817	877	466	2440	34
29	El Paso Community Action Program, Project BRAVO, Inc.	El Paso	\$1,272,051	17428	454	16467	393	114
30	Fort Worth, City of, Parks & Community Services Department	Tarrant	\$1,227,340	24460	2977	12906	8267	310
31	Galveston County Community Action Council, Inc.	Brazoria, Fort Bend, Galveston, Wharton	\$739,845	5100	865	1335	2781	119
32	Greater East Texas Community Action Program (GETCAP)	Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Smith, Trinity, Wood	\$845,636	14131	4924	1298	7711	198
33	Guadalupe Economic Services Corporation	Bailey, Briscoe, Castro, Cochran, Crosby, Deaf Smith, Dickens, Floyd, Garza, Hale, Hall, Hockley, Lamb, Lubbock, Lynn, Motley, Parmer, Swisher, Terry, Yoakum	\$180,405	13210	3989	8173	1039	9
34	Gulf Coast Community Services Association	Harris	\$3,934,736	12886	664	5514	6584	124
35	*Hidalgo County Community Services Agency	Hidalgo	\$1,608,880	19252	108	19085	18	41
36	Hill Country Community Action Association, Inc.	Bell, Coryell, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba	\$427,824	2787	1395	510	800	82
37	Kickapoo Traditional Tribe of Texas	Maverick	\$48,734	0	0	0	0	0
38	Lubbock, City of, Community Development Department	Lubbock	\$364,445	302	113	120	30	39
39	Northeast Texas Opportunities, Inc.	Delta, Franklin, Hopkins, Lamar, Rains, Red River, Titus	\$238,373	3114	1459	151	1366	138

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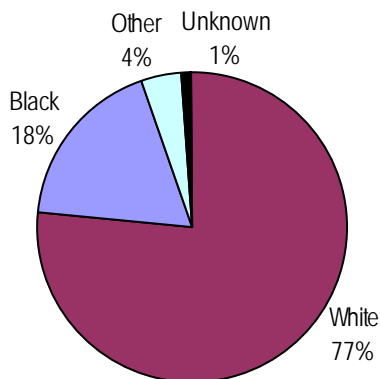
40	Nueces County Community Action Agency	Nueces	\$477,423	2501	159	1944	328	70
41	Panhandle Community Services	Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler	\$553,135	9601	4211	4121	1211	58
42	Pecos County Community Action Agency	Crane, Pecos, Terrell	\$150,000	1084	132	945	6	1
43	Rolling Plains Management Corporation	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young	\$295,387	2998	1635	577	612	174
44	San Antonio, City of, Community Action Division	Bexar	\$1,726,883	18290	1433	13759	2840	258
45	Sin Fronteras Organizing Project	El Paso	\$107,995	2034	0	2034	0	0
46	South Plains Community Action Association, Inc.	Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum	\$183,055	3456	472	2455	479	50
47	Southeast Texas Regional Planning Commission	Hardin, Jefferson, Orange	\$488,798	2085	666	98	1271	50
48	Texas Neighborhood Services	Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, Wise	\$344,270	5882	4873	637	313	59
49	Texoma Council of Governments	Cooke, Fannin, Grayson	\$215,994	1501	912	84	490	15
50	Tri-County Community Action, Inc.	Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur	\$357,066	8758	3612	229	4815	102
51	Webb County Community Action Agency	Webb	\$495,750	6946	3	6938	5	0
52	West Texas Opportunities, Inc.	Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Nolan, Scurry, Upton	\$582,835	7670	1720	4691	1194	65
53	Williamson-Burnet County Opportunities, Inc.	Burnet, Williamson	\$176,463	2293	1120	716	400	57
TOTAL		State	\$28,177,755	278,130	55,712	153,503	64,603	4,312
					23%	30%	45%	2%

*These contractors receive some additional funding to fund specialized activities for a few counties that fall outside their service area.

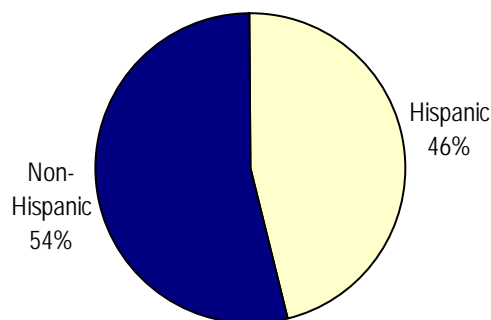
Emergency Shelter Grants Program

The Emergency Shelter Grants Program (ESGP) funds a network of subcontractor organizations, some of which have a service area that spans across two or more regions, or multiple subcontractors serve the same area. Because of this, ESGP racial composition data for FY 2007 is listed according to subcontractor. Racial composition for the state is available, but is unavailable at the regional level.

Racial Composition of Individuals Receiving ESGP Assistance, Statewide, FY 2007



Ethnic Composition of Individuals Receiving ESGP Assistance, Statewide, FY 2007



Racial and Ethnic Composition of Individuals Receiving ESGP Assistance by Subcontractor, Statewide, FY 2007

Contractor	County Served	FY 2007 Funding	Total Individuals	White	Black	Other	Hispanic	Non-Hispanic
Abilene Hope Haven, Inc.	Taylor	\$80,000	1063	904	127	4	28	207
Advocacy Outreach	Bastrop	\$85,210	1094	936	156	2	0	663
Advocacy Resource Center for Housing	Hidalgo	\$53,395	4364	4360	2	1	1	4361
Amistad Family Violence and Rape Crisis Center	Val Verde	\$63,700	1342	1310	9	23	0	1237
Bridge Over Troubled Waters, Inc., The	Harris	\$65,000	223	169	46	8	0	101
Brownsville, City of	Cameron	\$143,834	11764	11684	51	29	0	11200
Caprock Community Action Association, Inc.	Crosby	\$30,000	171	160	11	0	0	149
Catholic Charities, Archdiocese of San Antonio, Inc.	Bexar	\$56,725	338	271	63	4	0	232
Center Against Family Violence, Inc.	El Paso	\$46,097	773	735	21	17	0	688
Child Crisis Center of El Paso	El Paso	\$36,864	611	556	42	13	0	494
Childrens Center, Inc., The	Galveston	\$113,750	1189	435	498	89	165	184
Collin Intervention to Youth	Collin	\$65,000	170	84	50	36	0	11
Comal County Family Violence Shelter	Comal	\$52,000	1650	1482	23	119	26	697
Community Council of South Central Texas, Inc.	Guadalupe	\$65,000	216	215	0	1	0	194
Compassion Ministries of Waco, Inc.	McLennan	\$40,000	155	98	27	28	0	56
Connections Individual and Family Services	Comal	\$65,000	434	375	37	3	19	175
Corpus Christi Hope House	Nueces	\$42,107	1923	1844	79	0	0	1040
Corpus Christi Metro Ministries, Inc.	Nueces	\$65,000	4508	3720	685	100	0	1985
Covenant House Texas	Harris	\$65,000	2041	715	1285	41	0	283
Dallas Jewish Coalition, Inc.	Dallas	\$45,500	337	101	227	9	0	65

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Contractor	County Served	FY 2007 Funding	Total Individuals	White	Black	Other	Hispanic	Non-Hispanic
Denton, City of	Denton	\$137,393	1458	1103	300	54	0	261
Driskell Halfway House, Inc.	Swisher	\$65,000	180	168	10	2	0	79
East Texas Crisis Center, Inc.	Smith	\$64,263	579	408	122	49	0	94
Faith Mission and Help Center, Inc.	Washington	\$64,997	407	204	201	2	0	57
Families In Crisis, Inc.	Bell	\$43,622	777	372	310	84	11	122
Family Crisis Center	Cameron	\$160,000	4018	3888	74	55	1	3335
Family Gateway, Inc.	Dallas	\$56,250	389	51	307	31	0	7
Family Place, The	Dallas	\$53,250	658	291	304	63	0	171
Family Services of Southeast Texas, Inc.	Jefferson	\$60,765	1061	514	502	45	0	88
Focusing Families	Waller	\$37,992	365	253	103	9	0	116
Fort Bend County Womens Center, Inc.	Fort Bend	\$56,200	515	264	202	48	1	183
Hale County Crisis Center	Hale	\$51,572	620	282	74	68	196	196
Harmony House, Inc.	Harris	\$69,853	18	6	10	2	0	4
Hays County Womens Center	Hays	\$61,561	477	388	47	42	0	267
Highland Lakes Family Crisis Center	Burnet	\$45,000	762	708	16	34	4	283
Hope Action Care	Bexar	\$65,000	144	78	66	0	0	49
Houston Area Womens Center	Harris	\$65,000	5146	3596	1333	180	37	2681
Institute of Cognitive Development	Tom Green	\$30,000	582	490	38	54	0	299
Johnson County Family Crisis Center	Johnson	\$65,000	206	188	9	9	0	71
Kilgore Community Crisis Center	Gregg	\$50,852	733	431	275	27	0	92
Mid-Coast Family Services	Victoria	\$50,262	384	100	49	30	205	207
Midland Fair Havens, Inc.	Midland	\$65,600	1185	804	368	13	0	448
Mission Granbury, Inc.	Hood	\$55,922	118	91	0	27	0	3
Montgomery County Emergency Assistance, Inc.	Montgomery	\$74,263	285	219	66	0	0	53
Montgomery County Womens Center	Montgomery	\$128,963	661	437	161	56	0	177
Opportunity Center for the Homeless	El Paso	\$65,000	2016	1745	211	58	0	1181
Panhandle Crisis Center, Inc.	Ochiltree	\$65,475	579	567	0	12	0	318
Pecan Valley Regional Domestic Violence Shelter	Brown	\$38,844	364	331	27	6	0	106
Port Cities Rescue Mission Ministries	Jefferson	\$67,265	450	166	257	4	23	10
Project Vida	El Paso	\$40,000	1131	1127	4	0	0	1109
Promise House, Inc.	Dallas	\$65,000	226	104	122	0	0	49
Providence Ministry Corporation	Cameron	\$47,320	216	183	30	3	0	194
Randy Sams Outreach Shelter	Bowie	\$65,000	3124	1447	1587	74	16	44
Sabine Valley Center	Gregg	\$52,800	38	28	10	0	0	0
Safe Haven of Tarrant County	Tarrant	\$80,000	2631	1508	864	250	9	789
Safe Place of the Permian Basin	Midland	\$60,450	1570	1345	163	62	0	770
Salvation Army of Abilene	Taylor	\$30,000	7486	5581	1417	403	85	1879
Salvation Army of Dallas	Dallas	\$60,779	194	99	85	10	0	79
Salvation Army of Fort Worth	Tarrant	\$62,052	139	77	61	1	0	17
Salvation Army of Galveston	Galveston	\$66,744	7669	5661	1930	78	0	0
Salvation Army of McAllen	Hidalgo	\$64,971	1431	1382	43	6	0	1263
Salvation Army of Sherman	Grayson	\$50,000	4162	2379	616	820	347	226
Salvation Army of Victoria	Victoria	\$45,000	299	248	51	0	0	115
San Antonio Metropolitan Ministry, Inc.	Bexar	\$65,000	4688	3436	678	573	1	2105
SEARCH	Harris	\$131,442	2642	1015	1573	53	1	270
Seton Home	Bexar	\$40,308	162	130	31	1	0	107
Sin Fronteras Organizing Project	El Paso	\$65,000	795	794	0	1	0	795
Texas Homeless Network	Travis	\$50,000	0	0	0	0	0	0
Travis County Domestic Violence and Sexual Assault Survival Center	Travis	\$46,352	896	589	193	92	22	432
Twin City Mission	Brazos	\$80,000	993	595	359	34	0	151
Westside Homeless Partnership	Harris	\$130,000	362	208	150	4	0	165
Williamson-Burnet County Opportunities, Inc.	Williamson	\$45,375	167	128	34	5	0	60

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Statement of Activities

Contractor	County Served	FY 2007 Funding	Total Individuals	White	Black	Other	Hispanic	Non-Hispanic
Wintergarden Women's Shelter, Inc.	Dimmit	\$65,000	1465	1430	0	35	0	1269
Women's Shelter of East Texas, Inc.	Nacogdoches	\$56,679	548	309	186	53	0	113
Womens Shelter of South Texas	Nueces	\$30,000	1728	1475	11	206	36	1037
YMCA of Metropolitan Dallas	Dallas	\$66,855	149	82	62	5	0	31
ESGP Total	State	\$4,856,473	104,414	79,657	19,141	4,360	1,234	48,049
				77%	18%	4%	46%	54%

PROGRESS IN MEETING TDHCA HOUSING AND COMMUNITY SERVICES GOALS

The goals, strategies, and objectives established in the Legislative Appropriations Act, the TDHCA *Strategic Plan*, and the *State of Texas Consolidated Plan*, guide TDHCA's annual activities through the establishment of objective performance measures. TDHCA's resulting goals are as follows:

- 1) Increase and preserve the availability of safe, decent, and affordable housing for very low, low, and moderate income persons and families
- 2) Promote improved housing conditions for extremely low, very low, and low income households by providing information and technical assistance.
- 3) Improve living conditions for the poor and homeless and reduce the cost of home energy for very low income Texans.
- 4) Ensure compliance with the TDHCA's federal and state program mandates.
- 5) Protect the public by regulating the manufactured housing industry in accordance with state and federal laws.
- 6) Target its housing finance programs resources for assistance to extremely low income households.
- 7) Target its housing finance resources for assistance to very low income households.
- 8) Provide contract for deed conversions for families who reside in a colonia and earn 60 percent or less of the applicable area median family income
- 9) Work to address the housing needs and increase the availability of affordable and accessible housing for persons with special needs through funding, research, and policy development efforts.

To avoid duplication of information, progress made towards meeting those goals, the upcoming year's goals, and information on TDHCA's actual performance in satisfying in FY 2007 goals and strategies is provided in Section 4: Action Plan.

STATEMENT OF ACTIVITIES BY UNIFORM STATE SERVICE REGION

This section describes TDHCA's FY 2007 activities by Uniform State Service Region. The regional tables do not include information for WAP, CEAP, ESGP, CSBG, and CFNP because figures are not available for these programs at the regional level. Additionally, for purposes of reporting, Office of Colonia Initiatives figures do not appear as an independent category, but rather the figures are grouped under their respective funding sources. For example, most Contracts for Deed Conversion are reported under HOME Program Homebuyer Assistance.

As required by legislation, TDHCA reports on the racial composition of individuals and families receiving assistance. Regional information has been organized into two generalized categories of housing activity type.

Renter Programs

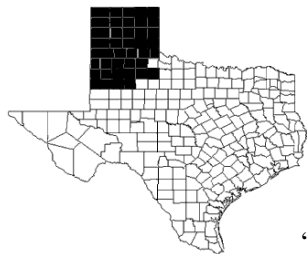
Includes the Housing Tax Credit Program, the Multifamily Bond Program, Housing Trust Fund multifamily activities, HOME multifamily activities, the Section 8 Program and HOME Tenant Based Rental Assistance program

Homeowner Programs

Includes the First Time Homebuyer Program, HOME Owner-Occupied Housing Assistance, HOME Homebuyer Assistance, and Housing Trust Fund single family activities (Bootstrap Loan Program)

For more information on racial reporting and these categories, please see "Racial Composition of Households Receiving Assistance" under the Statement of Activities section.

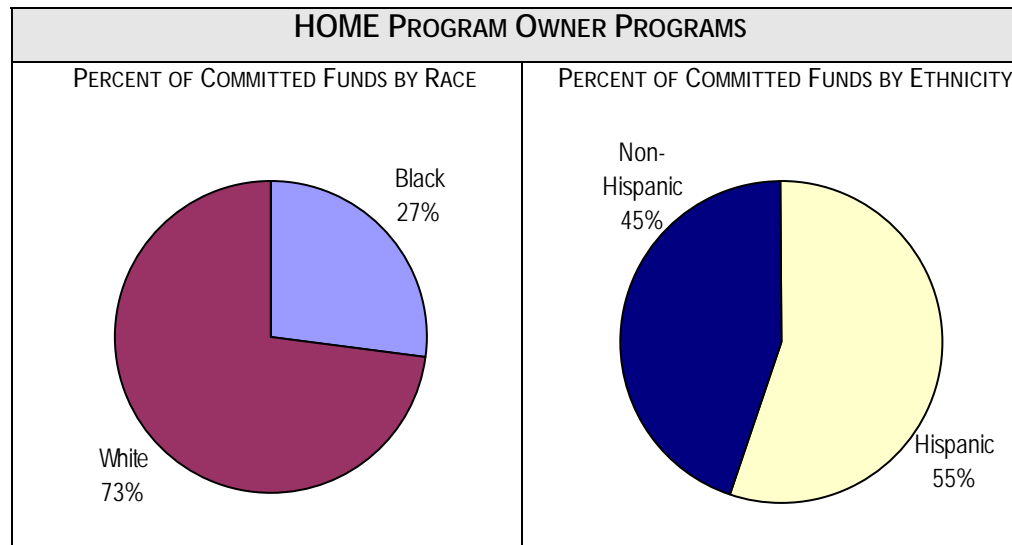
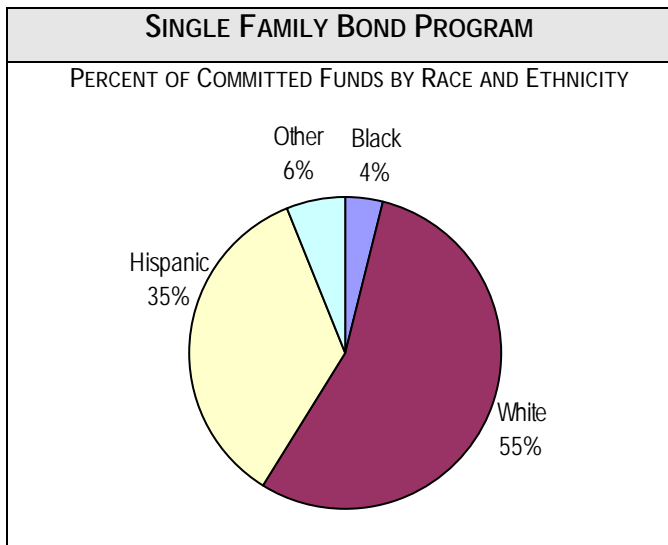
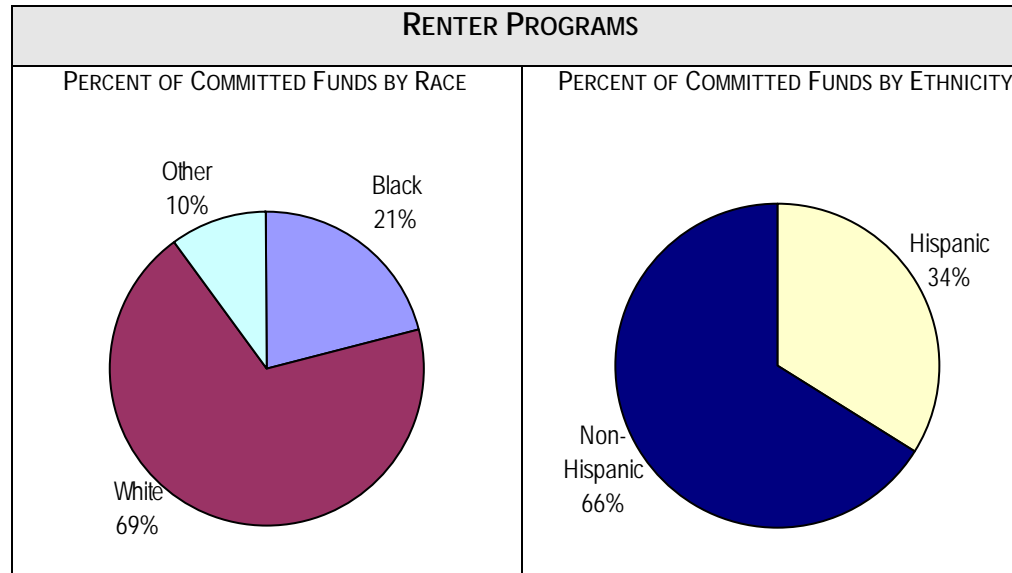
REGION 1



TDHCA allocated \$9,546,973 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



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Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 1

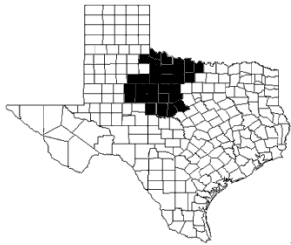
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$3,323,285	51	\$2,698,554	47	\$0	0	\$0	0	\$0	0	\$0	0	\$6,021,839	98
Renter Programs	\$0	0	\$0	0	\$0	0	\$3,525,134	532	\$0	0	\$0	0	\$3,525,134	532
Total	\$3,323,285	51	\$2,698,554	47	\$0	0	\$3,525,134	532	\$0	0	\$0	0	\$9,546,973	630

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 1

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$261,050	6	\$1,788,554	32	\$0	0	\$339,246	35	\$0	0	\$0	0	\$2,388,850	73
30-50% AMFI	\$1,016,905	19	\$910,000	15	\$0	0	\$0	0	\$0	0	\$0	0	\$1,926,905	34
50-80% AMFI	\$1,292,924	19	\$0	0	\$0	0	\$3,160,212	497	\$0	0	\$0	0	\$4,453,136	516
>80% AMFI	\$752,406	7	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$752,406	7
Total	\$3,323,285	51	\$2,698,554	47	\$0	0	\$3,499,458	532	\$0	0	\$0	0	\$9,521,297	630

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

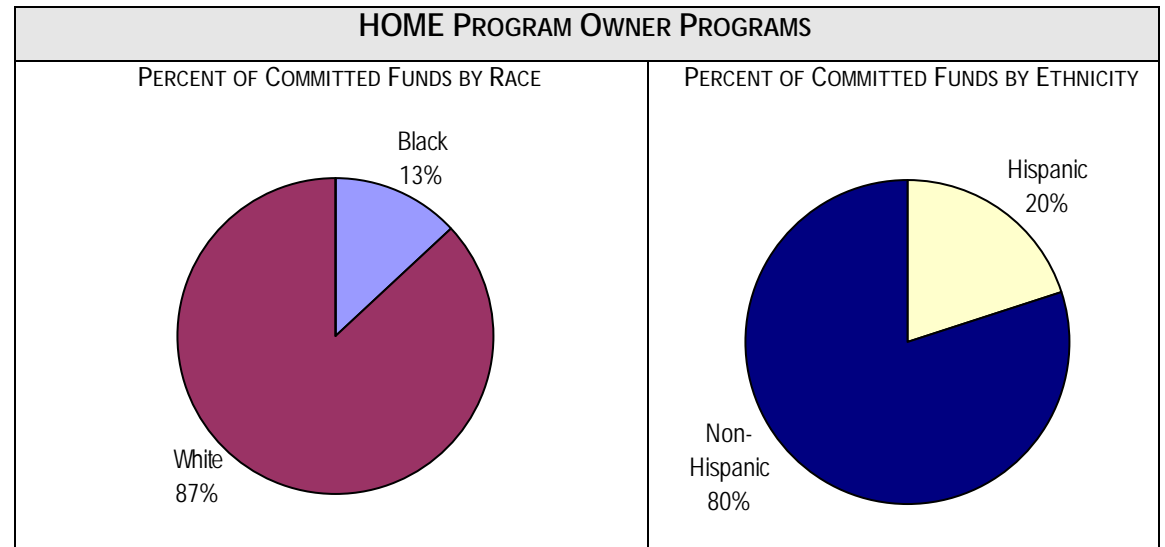
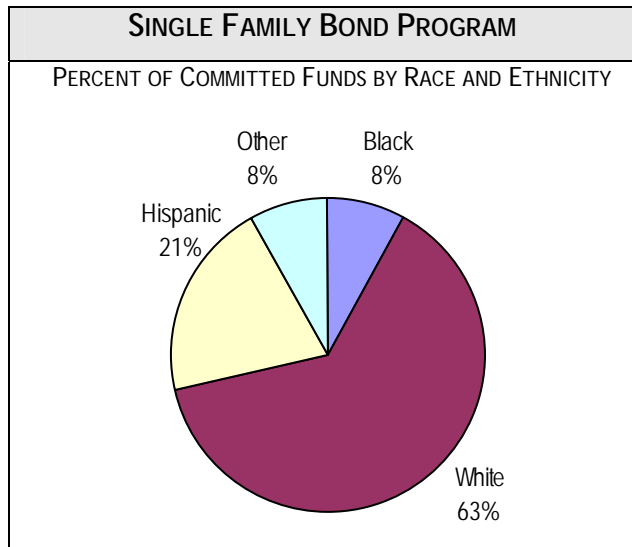
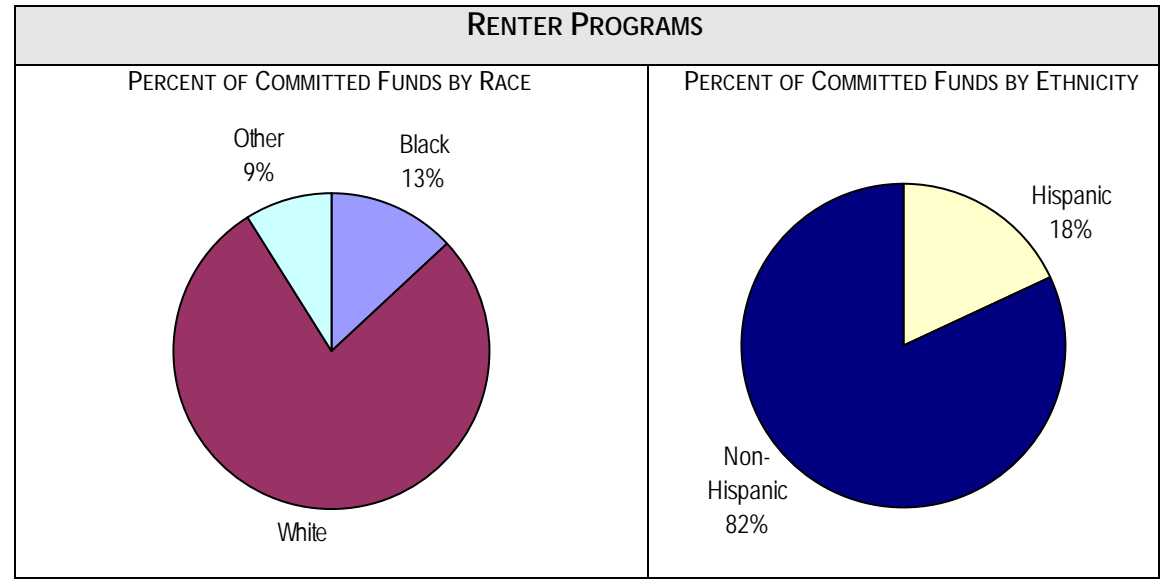
REGION 2



TDHCA allocated \$5,029,185 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Statement of Activities by Region

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 2

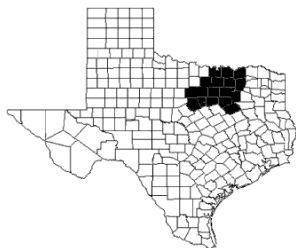
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$2,197,523	39	\$572,000	10	\$0	0	\$0	0	\$0	0	\$0	0	\$2,769,523	49
Renter Programs	\$0	0	\$0	0	\$0	0	\$2,080,922	211	\$0	0	\$178,740	36	\$2,259,662	247
Total	\$2,197,523	39	\$572,000	10	\$0	0	\$2,080,922	211	\$0	0	\$178,740	36	\$5,029,185	296

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 2

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$198,114	4	\$0	0	\$0	0	\$226,942	23	\$0	0	\$140,684	24	\$565,740	51
30-50% AMFI	\$849,481	16	\$0	0	\$0	0	\$0	0	\$0	0	\$38,056	11	\$887,537	27
50-80% AMFI	\$1,149,928	19	\$572,000	10	\$0	0	\$1,843,641	188	\$0	0	\$0	1	\$3,565,569	218
>80% AMFI	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Total	\$2,197,523	39	\$572,000	10	\$0	0	\$2,070,583	211	\$0	0	\$178,740	36	\$5,018,846	296

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

REGION 3

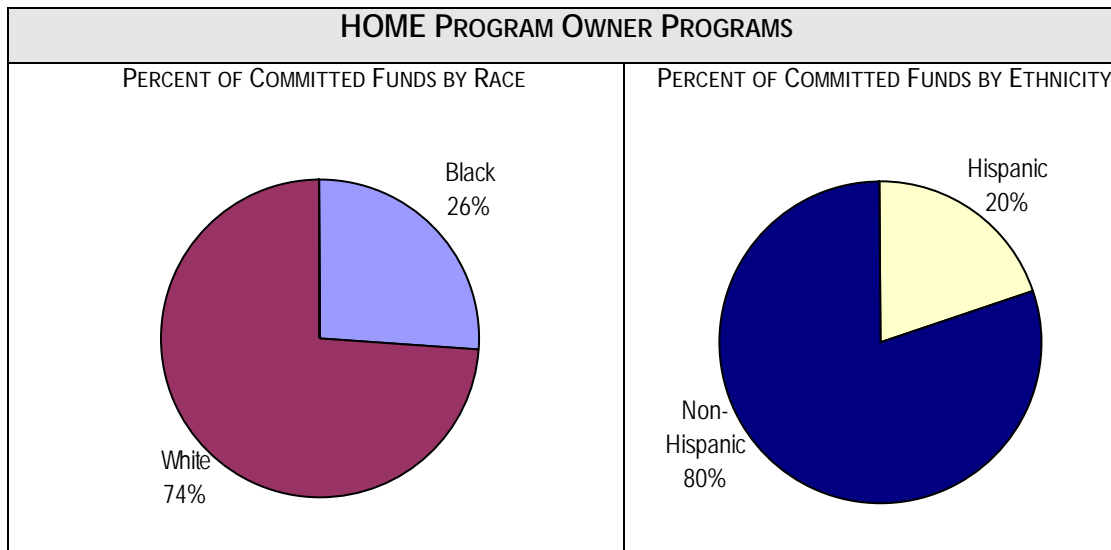
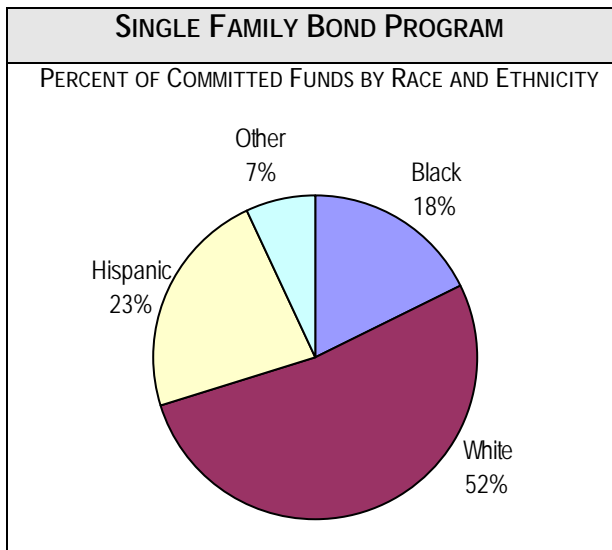
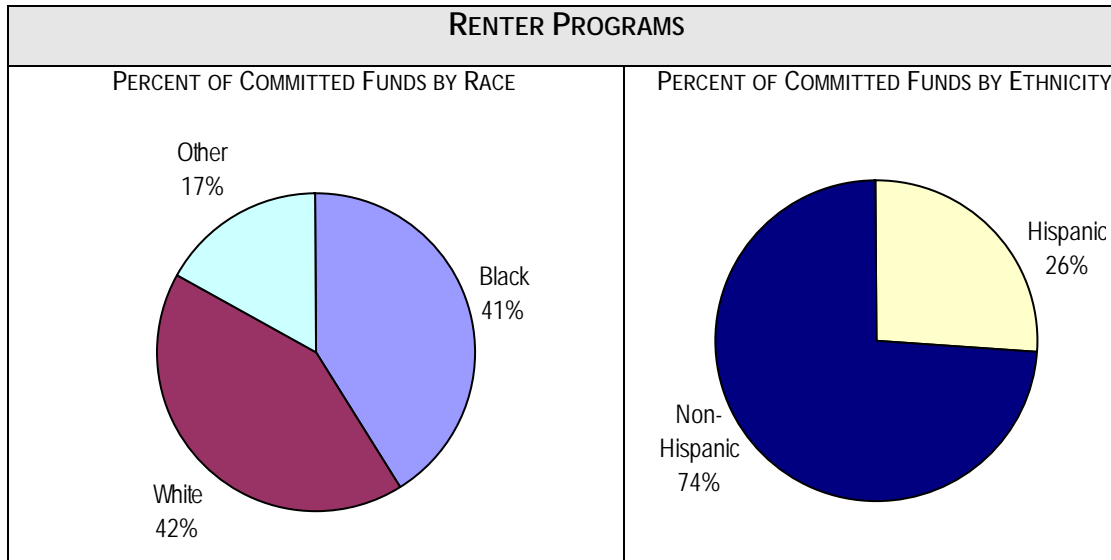


TDHCA allocated \$86,597,191 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total,

while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



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Statement of Activities by Region

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 3

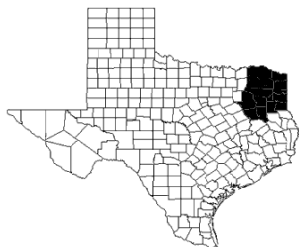
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$47,814,984	424	\$738,400	12	\$656,470	22	\$0	0	\$0	0	\$0	0	\$49,209,854	458
Renter Programs	\$0	0	\$2,338,752	22	\$0	0	\$7,264,675	1,243	\$24,410,000	392	\$3,373,910	355	\$37,387,337	2012
Total	\$47,814,984	424	\$3,077,152	34	\$656,470	22	\$7,264,675	1243	\$24,410,000	392	\$3,373,910	355	\$86,597,191	2470

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 3

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$162,622	3	\$0	0	\$120,000	4	\$463,550	52	\$462,857	9	\$2,853,780	249	\$4,062,809	317
30-50% AMFI	\$5,835,869	68	\$1,261,841	16	\$506,470	17	\$22,283	6	\$0	0	\$482,910	92	\$8,109,373	199
50-80% AMFI	\$22,638,394	207	\$1,815,311	18	\$0	0	\$6,350,893	1,185	\$23,947,143	383	\$37,220	14	\$54,788,961	1807
>80% AMFI	\$19,178,099	146	\$0	0	\$30,000	1	\$0	0	\$0	0	\$0	0	\$19,208,099	147
Total	\$47,814,984	424	\$3,077,152	34	\$656,470	22	\$6,836,726	1243	\$24,410,000	392	\$3,373,910	355	\$86,169,242	2470

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

REGION 4

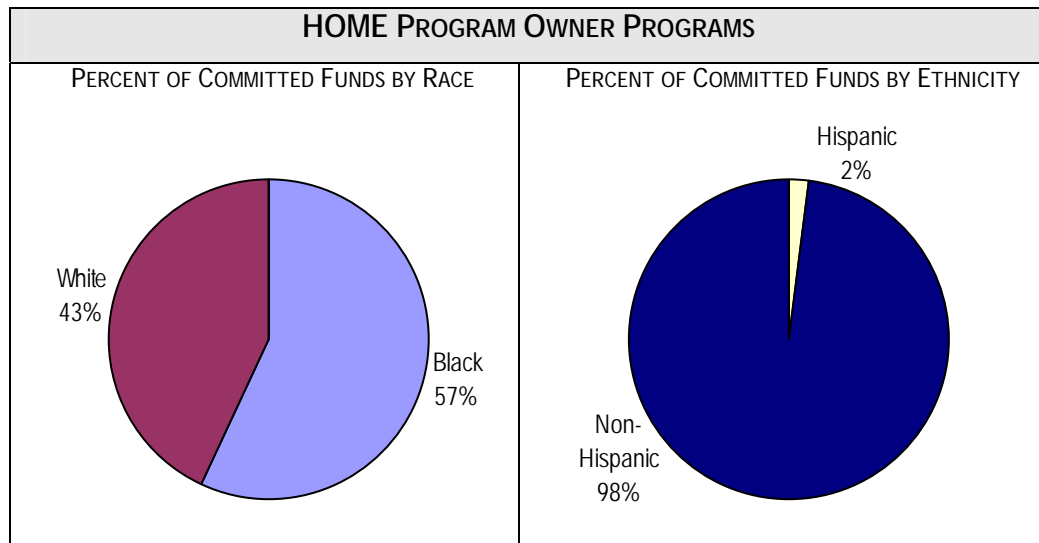
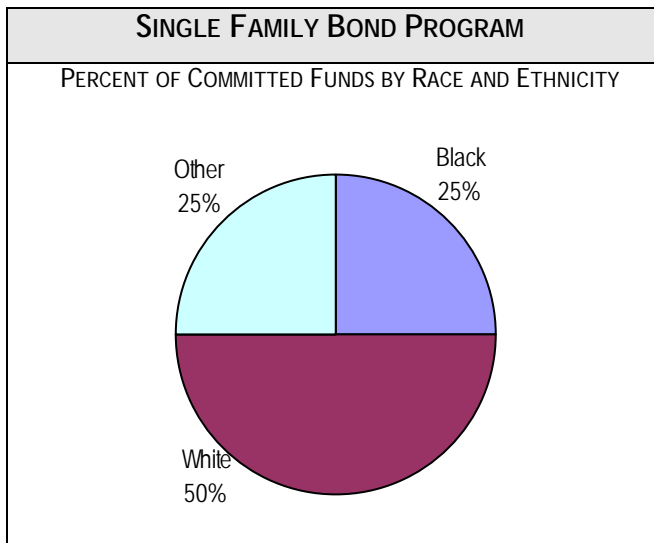
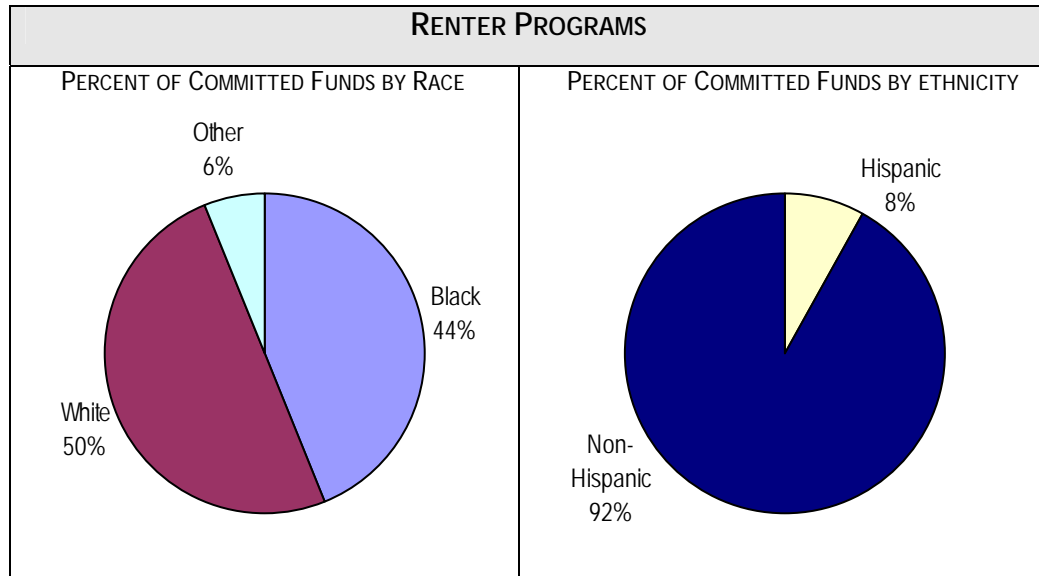


TDHCA allocated \$8,705,995 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Very Low Income”

households (30-50% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



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Statement of Activities by Region

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 4

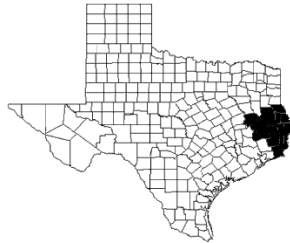
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$304,327	4	\$7,098,000	125	\$0	0	\$0	\$0	\$0	0	\$0	0	\$7,402,327	129
Renter Programs	\$0	0	\$0	0	\$0	0	\$1,303,668	136	\$0	0	\$0	0	\$1,303,668	136
Total	\$304,327	4	\$7,098,000	125	\$0	0	\$1,303,668	136	\$0	0	\$0	0	\$8,705,995	265

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 4

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$0	0	\$884,000	15	\$0	0	\$140,923	15	\$0	0	\$0	0	\$1,024,923	30
30-50% AMFI	\$42,750	1	\$6,089,200	98	\$0	0	\$0	\$0	\$0	0	\$0	0	\$6,131,950	99
50-80% AMFI	\$114,594	1	\$124,800	12	\$0	0	\$1,137,773	121	\$0	0	\$0	0	\$1,377,167	134
>80% AMFI	\$146,983	2	\$0	0	\$0	0	\$0	\$0	\$0	0	\$0	0	\$146,983	2
Total	\$304,327	4	\$7,098,000	125	\$0	0	\$1,278,696	136	\$0	0	\$0	0	\$8,681,023	265

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

REGION 5

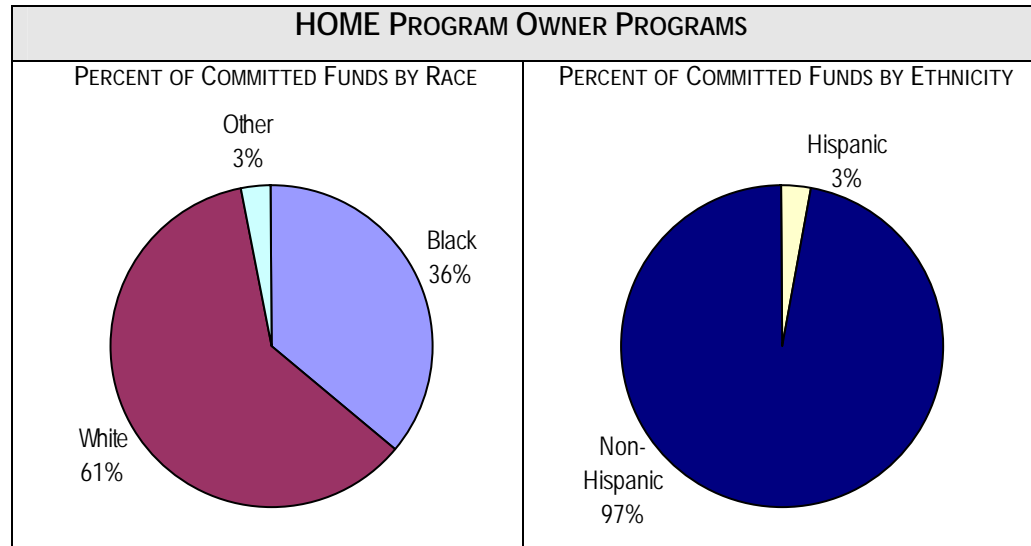
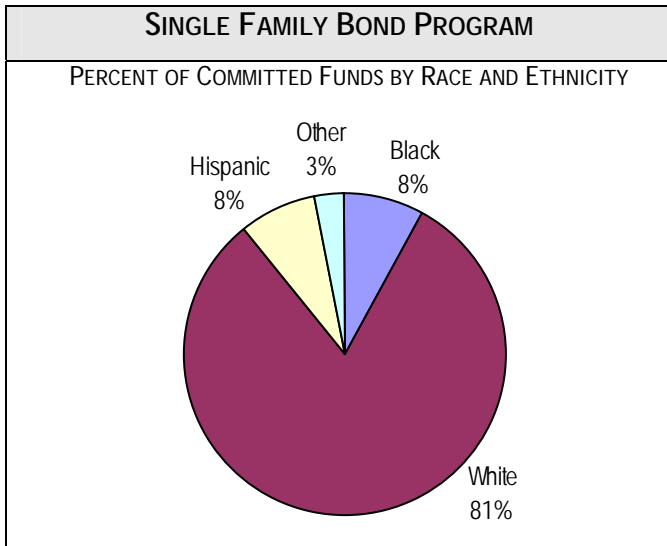
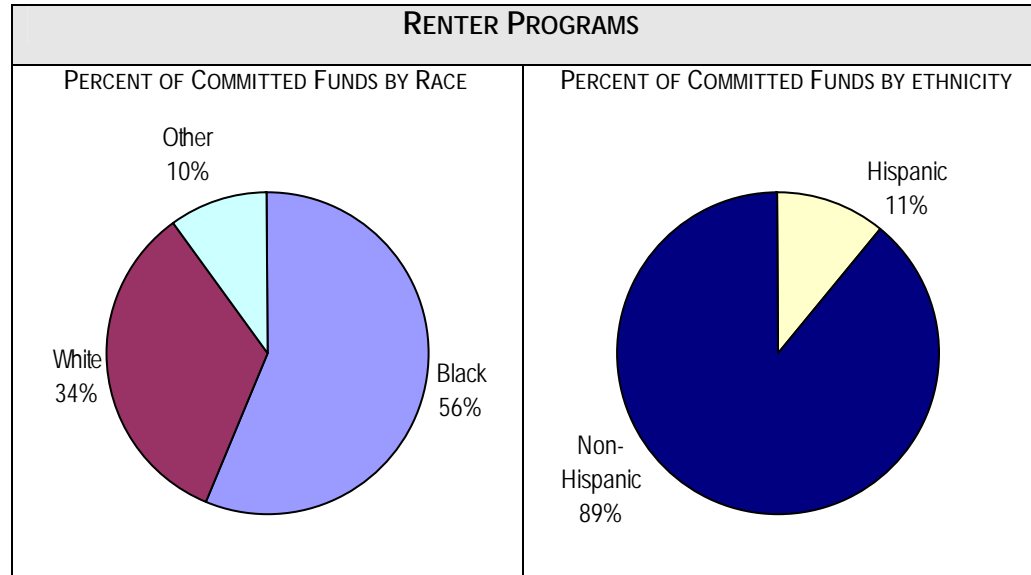


TDHCA allocated \$14,465,206 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Moderate Income”

households (>80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Statement of Activities by Region

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 5

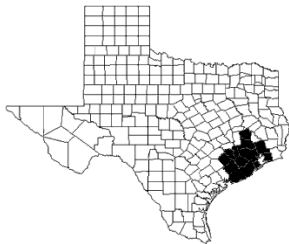
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$10,059,932	120	\$3,432,000	60	\$70,000	7	\$0	0	\$0	0	\$0	0	\$13,561,932	187
Renter Programs	\$0	0	\$0	0	\$0	0	\$903,274	160	\$0	0	\$0	0	\$903,274	160
Total	\$10,059,932	120	\$3,432,000	60	\$70,000	7	\$903,274	160	\$0	0	\$0	0	\$14,465,206	347

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 5

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$34,803	1	\$822,545	14	\$0	0	\$0	0	\$0	0	\$0	0	\$857,348	15
30-50% AMFI	\$575,196	10	\$1,815,273	32	\$50,000	5	\$0	0	\$0	0	\$0	0	\$2,440,469	47
50-80% AMFI	\$2,521,744	36	\$794,182	14	\$20,000	2	\$810,175	160	\$0	0	\$0	0	\$4,146,101	212
>80% AMFI	\$6,928,189	73	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$6,928,189	73
Total	\$10,059,932	120	\$3,432,000	60	\$70,000	7	\$810,175	160	\$0	0	\$0	0	\$14,372,107	347

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

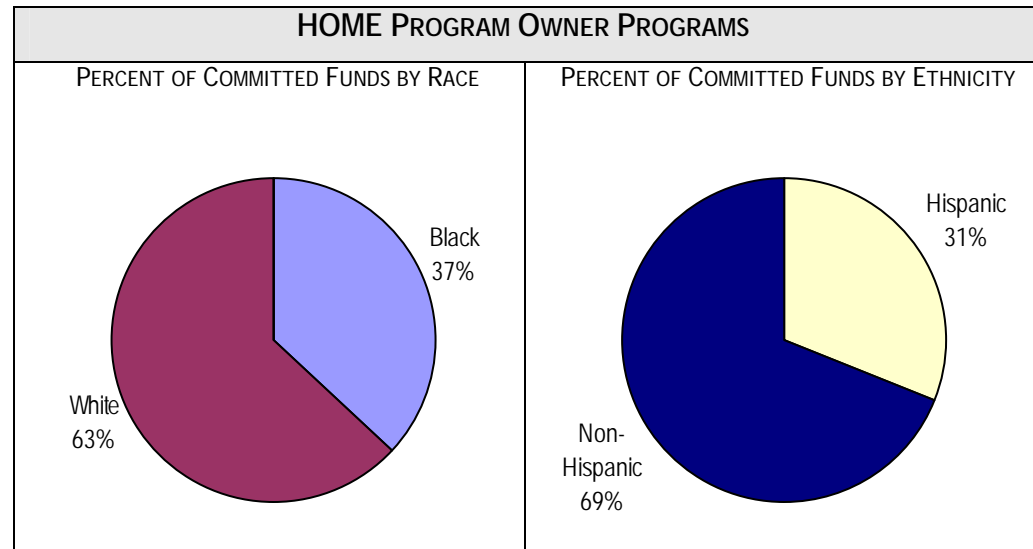
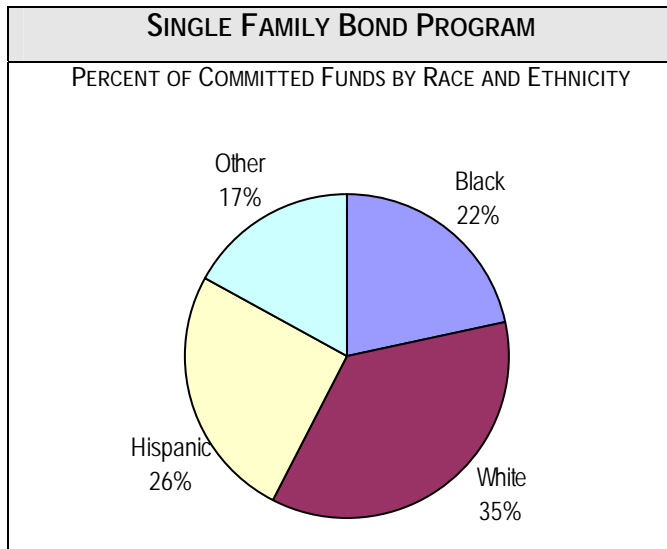
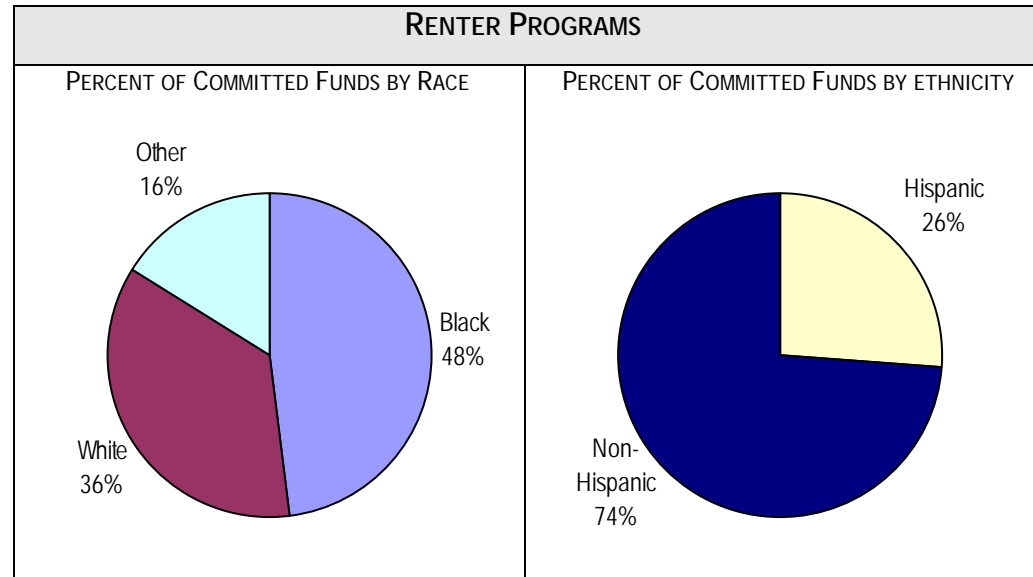
REGION 6



TDHCA allocated \$237,593,406 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart



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Statement of Activities by Region

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 6

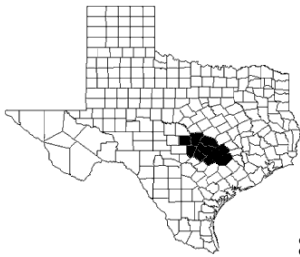
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$135,737,757	1104	\$2,184,000	37	\$0	0	\$0	\$0	\$0	0	\$0	0	\$137,921,757	1141
Renter Programs	\$0	0	\$0	0	\$0	0	\$17,547,427	\$2,779	\$78,210,000	1551	\$3,914,222	477	\$99,671,649	4807
Total	\$135,737,757	1104	\$2,184,000	37	\$0	0	\$17,547,427	2779	\$78,210,000	1551	\$3,914,222	477	\$237,593,406	5948

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 6

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$337,403	5	\$567,273	10	\$0	0	\$908,608	\$96	\$0	0	\$3,404,082	356	\$5,217,366	467
30-50% AMFI	\$4,971,525	57	\$1,389,818	23	\$0	0	\$1,957,099	\$303	\$0	0	\$490,722	105	\$8,809,164	488
50-80% AMFI	\$42,732,129	385	\$226,909	4	\$0	0	\$14,131,396	\$2,380	\$76,071,364	1497	\$19,418	16	\$133,181,216	4282
>80% AMFI	\$87,696,700	657	\$0	0	\$0	0	\$0	\$0	\$2,138,636	54	\$0	0	\$89,835,336	711
Total	\$135,737,757	1104	\$2,184,000	37	\$0	0	\$16,997,103	2779	\$78,210,000	1551	\$3,914,222	477	\$237,043,082	5948

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

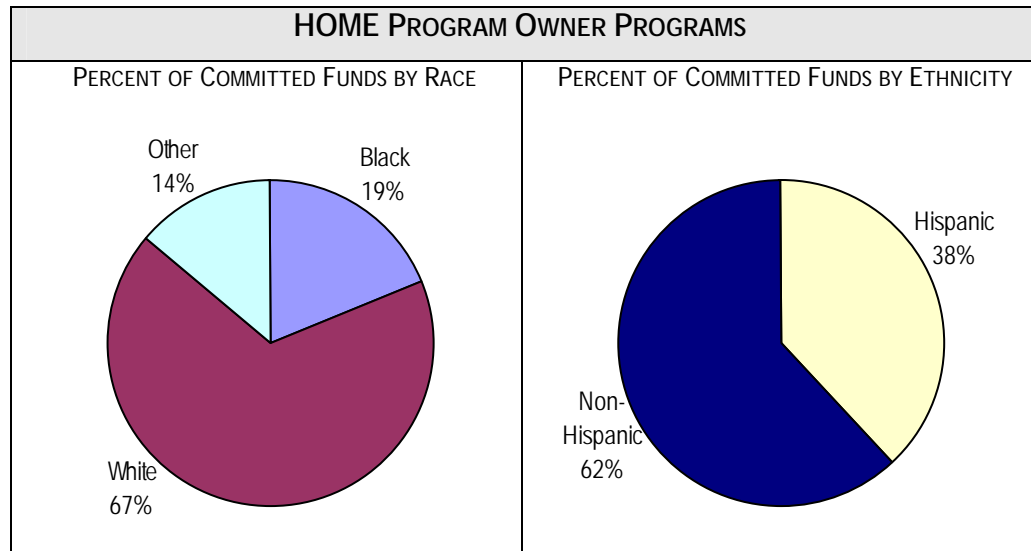
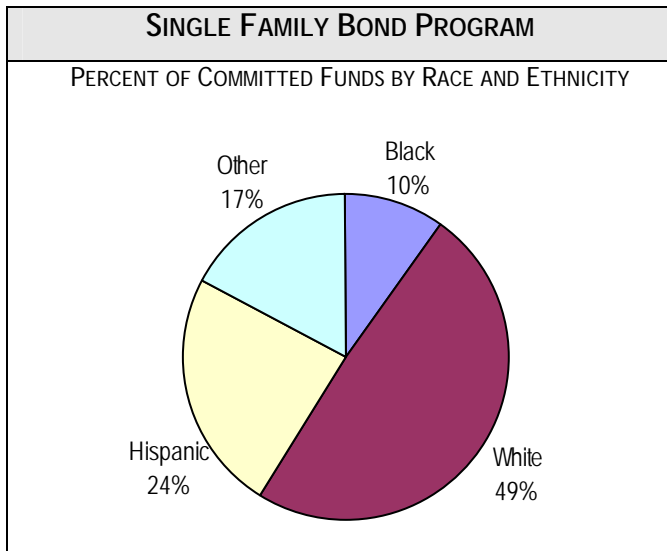
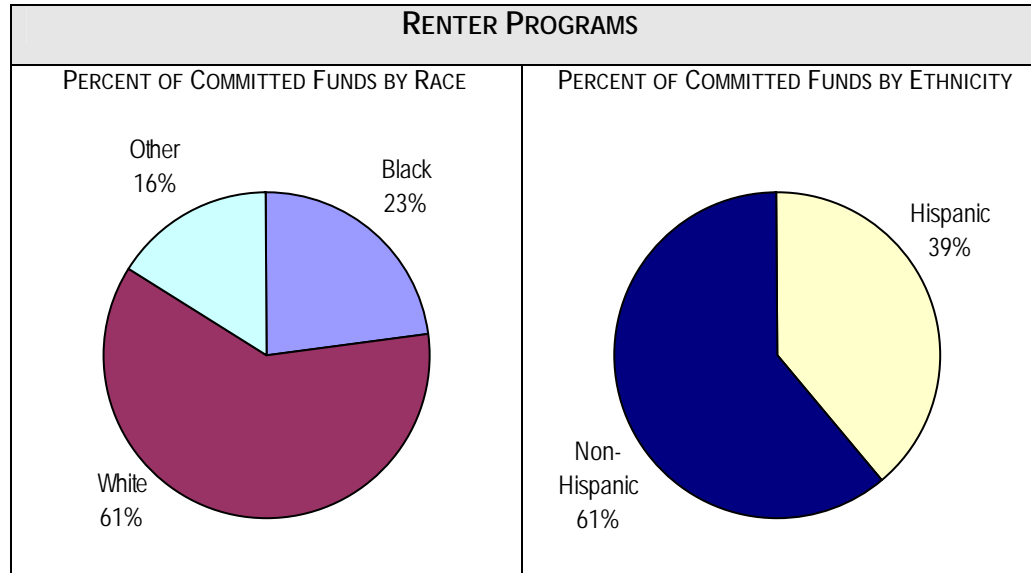
REGION 7



TDHCA allocated \$98,775,869 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while "Low Income" (50-80% AMFI) households was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 7

Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$63,276,437	461	\$0	0	\$270,000	9	\$0	0	\$0	0	\$0	0	\$63,546,437	470
Renter Programs	\$0	0	\$2,025,000	68	\$0	0	\$4,467,409	891	\$28,072,000	444	\$665,023	87	\$35,229,432	1490
Total	\$63,276,437	461	\$2,025,000	68	\$270,000	9	\$4,467,409	891	\$28,072,000	444	\$665,023	87	\$98,775,869	1960

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 7

Income	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$381,909	3	\$0	0	\$120,000	4	\$351,679	47	\$0	0	\$619,060	71	\$1,472,648	125
30-50% AMFI	\$5,506,125	47	\$2,025,000	68	\$150,000	5	\$690,309	96	\$0	0	\$45,963	15	\$8,417,397	231
50-80% AMFI	\$32,903,087	249	\$0	0	\$0	0	\$3,425,421	748	\$28,072,000	444	\$0	1	\$64,400,508	1442
>80% AMFI	\$24,485,316	162	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$24,485,316	162
Total	\$63,276,437	461	\$2,025,000	68	\$270,000	9	\$4,467,409	891	\$28,072,000	444	\$665,023	87	\$98,775,869	1960

REGION 8

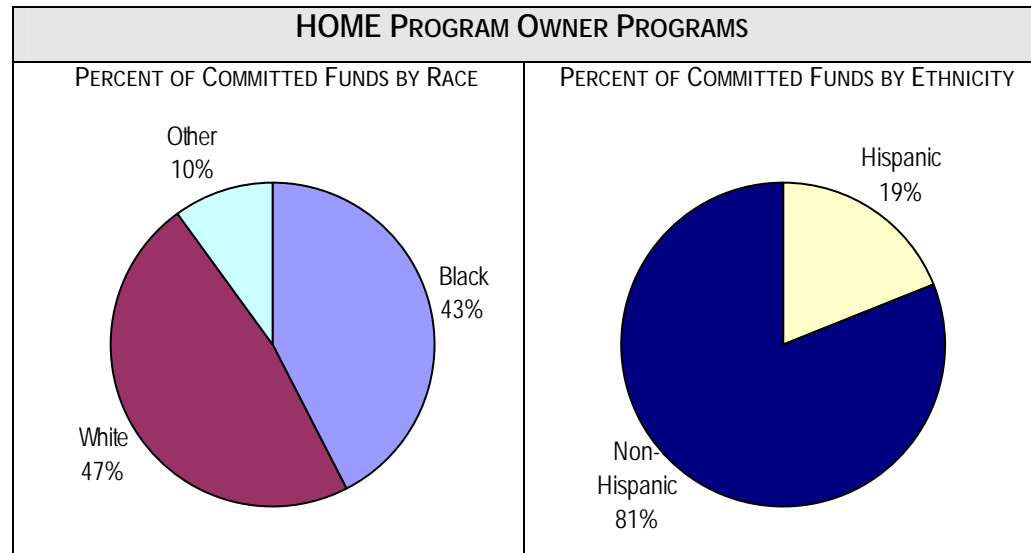
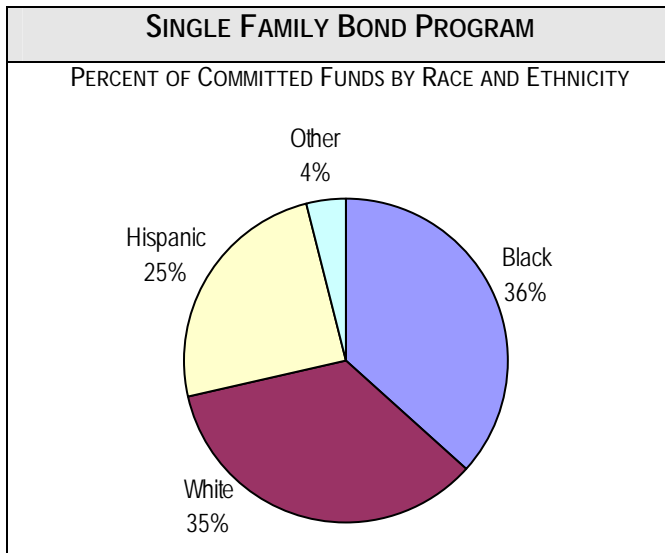
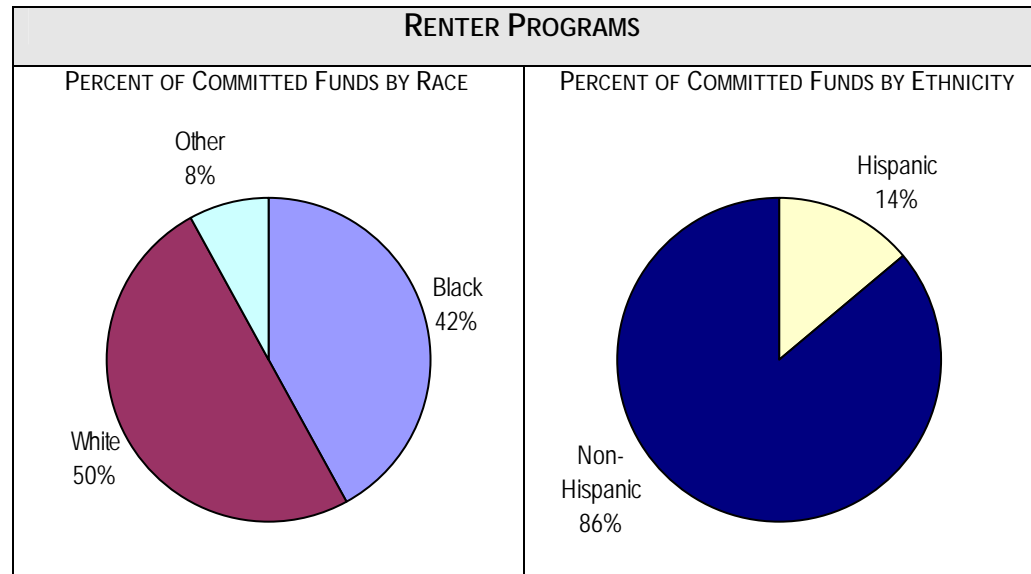


TDHCA allocated \$18,864,520 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Moderate Income” households (>80% AMFI) was the most

served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 8

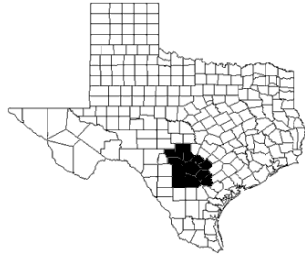
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$13,458,731	112	\$2,121,600	34	\$420,000	14	\$0	0	\$0	\$0	\$0	0	\$16,000,331	160
Renter Programs	\$0	0	\$225,000	6	\$0	0	\$2,170,875	324	\$0	\$0	\$468,314	104	\$2,864,189	434
Total	\$13,458,731	112	\$2,346,600	40	\$420,000	14	\$2,170,875	324	\$0	0	\$468,314	104	\$18,864,520	594

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 8

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$30,324	1	\$0	0	\$60,000	2	\$146,863	15	\$0	\$0	\$388,432	76	\$625,619	94
30-50% AMFI	\$382,032	6	\$2,271,600	38	\$360,000	12	\$128,671	7	\$0	\$0	\$75,024	24	\$3,217,327	87
50-80% AMFI	\$5,206,211	49	\$75,000	2	\$0	0	\$1,787,028	302	\$0	\$0	\$4,858	4	\$7,073,097	357
>80% AMFI	\$7,840,164	56	\$0	0	\$0	0	\$0	0	\$0	\$0	\$0	0	\$7,840,164	56
Total	\$13,458,731	112	\$2,346,600	40	\$420,000	14	\$2,062,562	324	\$0	0	\$468,314	104	\$18,756,207	594

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

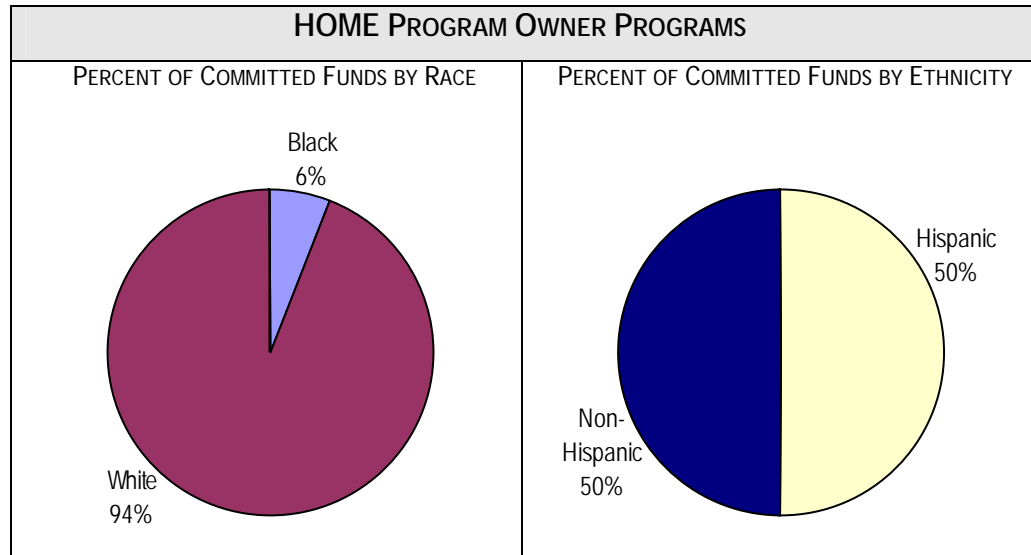
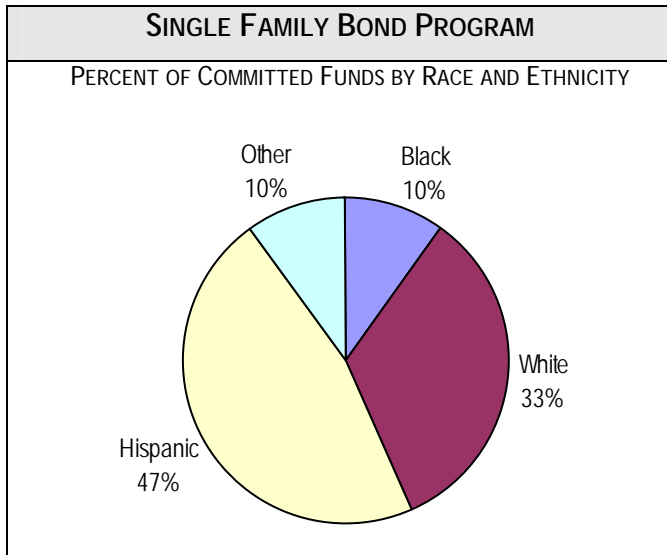
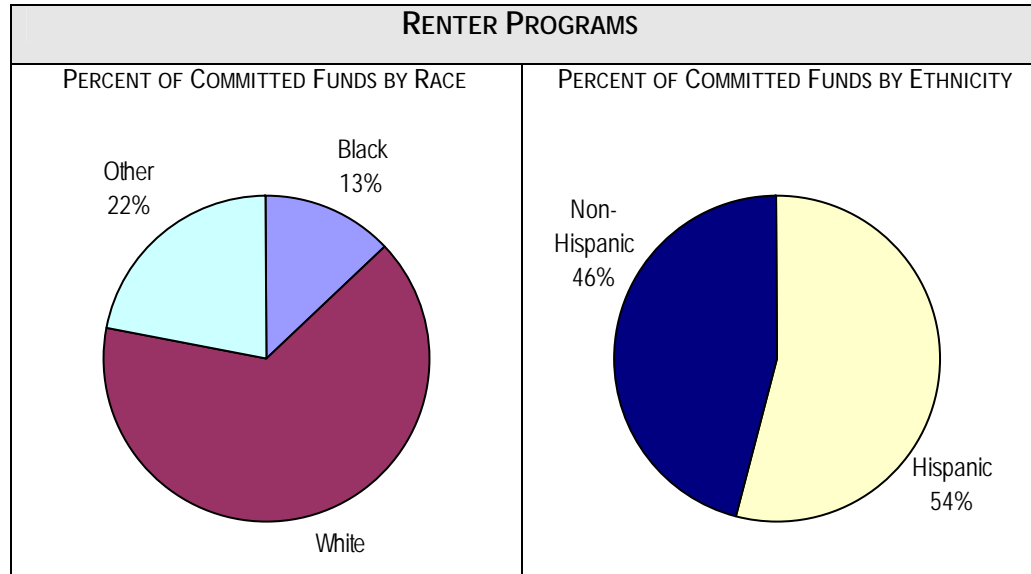
REGION 9



TDHCA allocated \$29,466,836 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 9

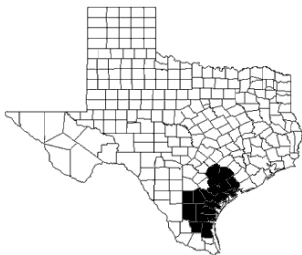
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$14,491,251	127	\$0	0	\$300,000	10	\$0	0	\$0	0	\$0	0	\$14,791,251	137
Renter Programs	\$0	0	\$0	0	\$0	0	\$6,408,367	1279	\$8,000,000	150	\$267,218	64	\$14,675,585	1493
Total	\$14,491,251	127	\$0	0	\$300,000	10	\$6,408,367	1279	\$8,000,000	150	\$267,218	64	\$29,466,836	1630

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 9

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$91,547	2	\$0	0	\$90,000	3	\$321,063	40	\$0	0	\$229,134	48	\$731,744	93
30-50% AMFI	\$990,640	14	\$0	0	\$180,000	6	\$51,686	12	\$0	0	\$35,928	15	\$1,258,254	47
50-80% AMFI	\$5,937,401	56	\$0	0	\$30,000	1	\$5,774,379	1227	\$8,000,000	150	\$2,156	1	\$19,743,936	1435
>80% AMFI	\$7,471,663	55	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$7,471,663	55
Total	\$14,491,251	127	\$0	0	\$300,000	10	\$6,147,128	1279	\$8,000,000	150	\$267,218	64	\$29,205,597	1630

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

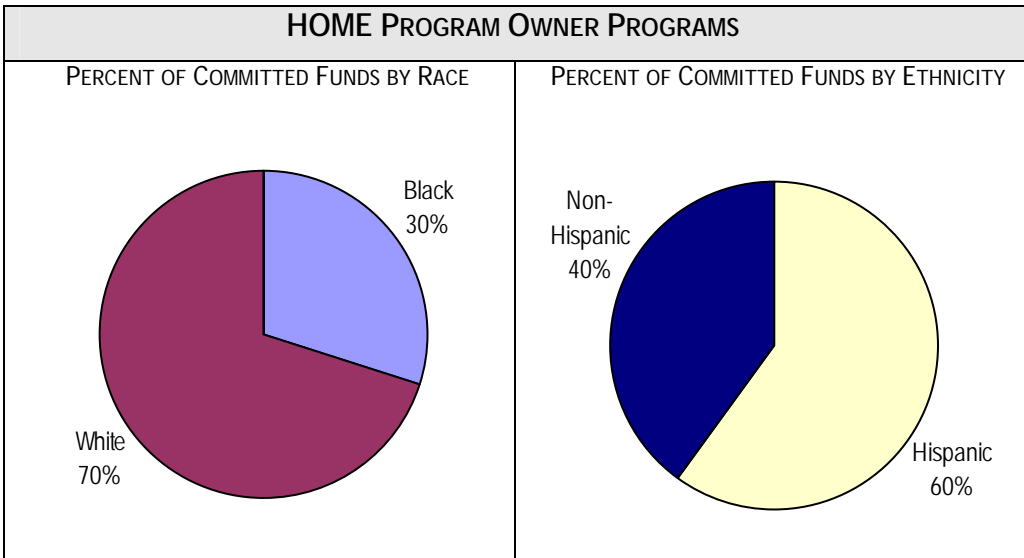
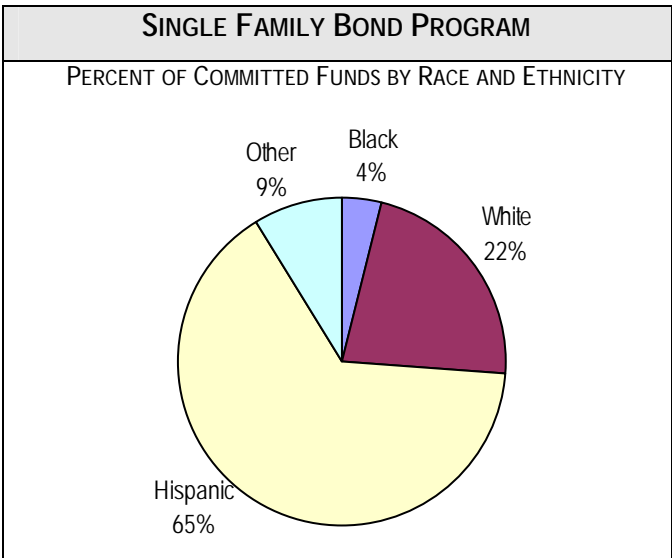
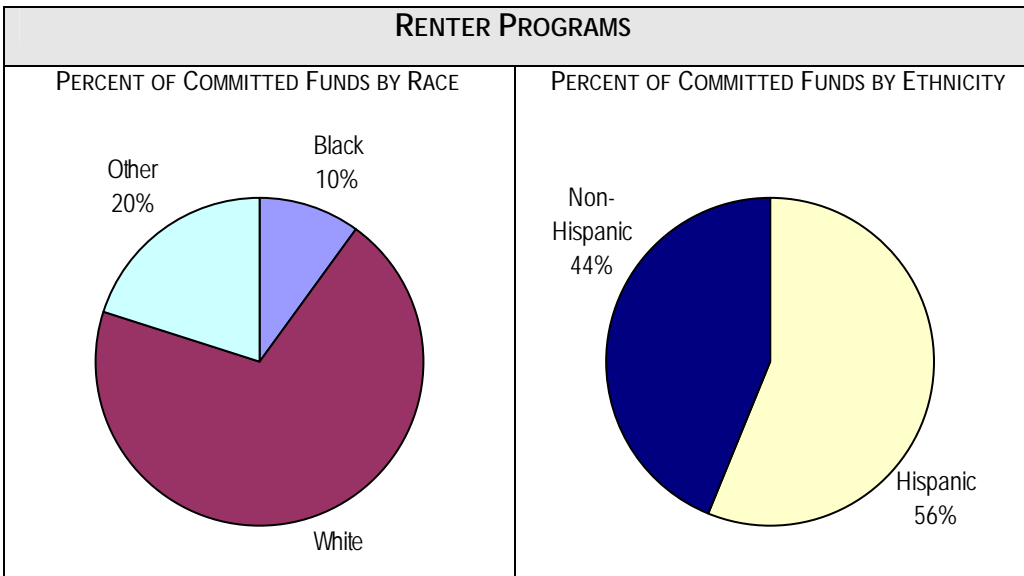
REGION 10



TDHCA allocated \$6,540,992 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 10

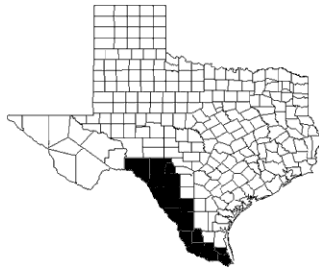
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$1,708,040	23	\$1,560,000	25	\$90,000	3	\$0	0	\$0	0	\$0	0	\$3,358,040	51
Renter Programs	\$0	0	\$1,042,125	34	\$0	0	\$2,070,873	469	\$0	0	\$69,954	12	\$3,182,952	515
Total	\$1,708,040	23	\$2,602,125	59	\$90,000	3	\$2,070,873	469	\$0	0	\$69,954	12	\$6,540,992	566

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 10

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$0	0	\$0	0	\$30,000	1	\$147,153	23	\$0	0	\$64,039	9	\$241,192	33
30-50% AMFI	\$308,153	5	\$2,022,526	40	\$60,000	2	\$0	0	\$0	0	\$5,915	3	\$2,396,594	50
50-80% AMFI	\$859,992	12	\$579,599	19	\$0	0	\$1,896,263	446	\$0	0	\$0	0	\$3,335,854	477
>80% AMFI	\$539,895	6	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$539,895	6
Total	\$1,708,040	23	\$2,602,125	59	\$90,000	3	\$2,043,416	469	\$0	0	\$69,954	12	\$6,513,535	566

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

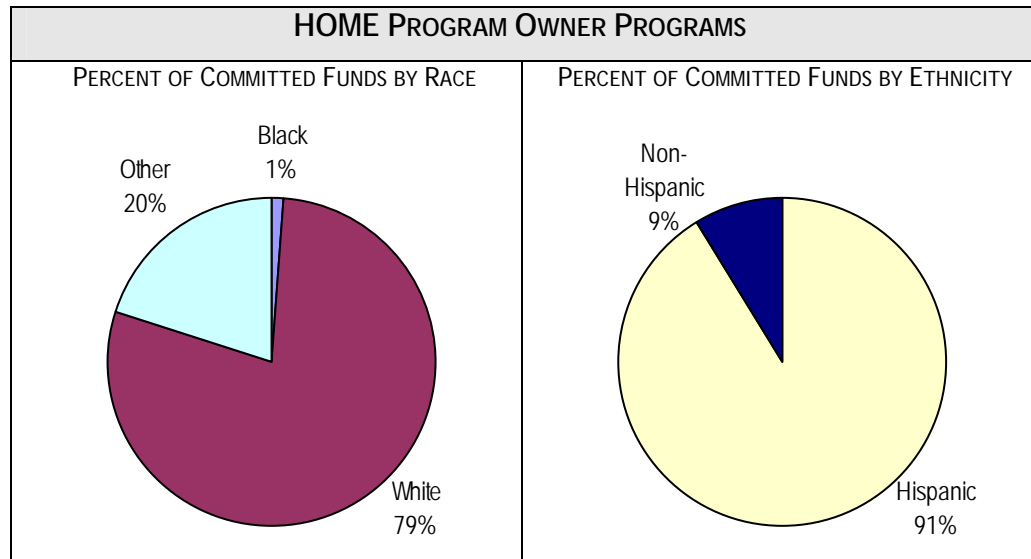
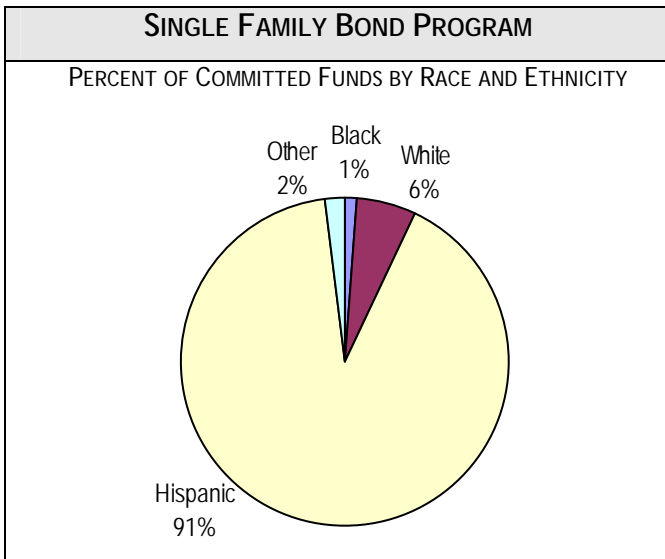
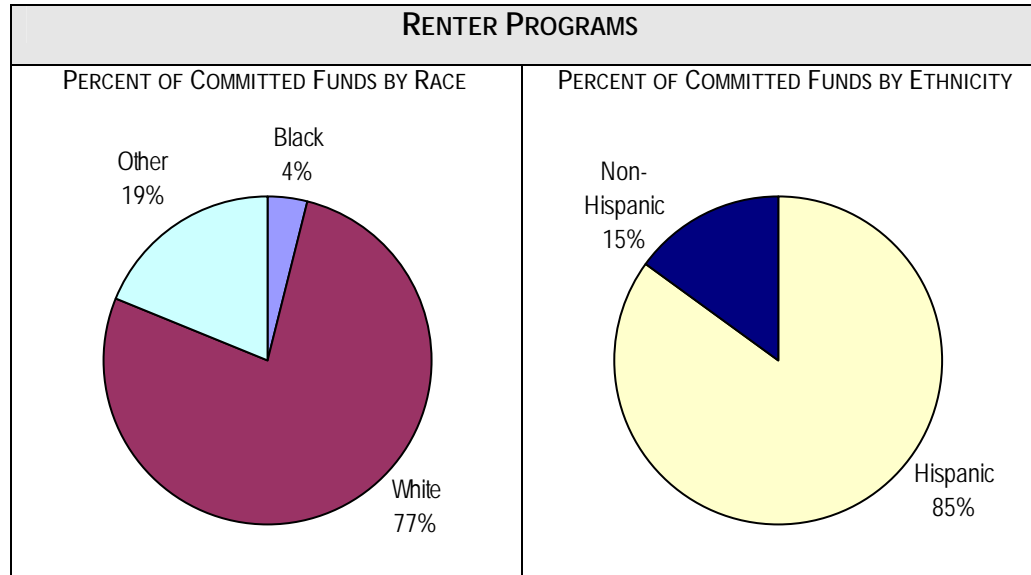
REGION 11



TDHCA allocated \$28,099,471 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-80%) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 11

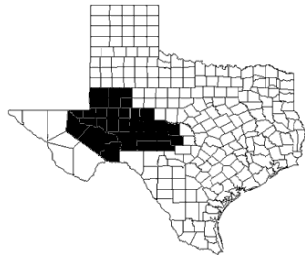
Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$15,374,586	199	\$4,370,843	63	\$1,058,137	36	\$0	0	\$0	0	\$0	0	\$20,803,566	298
Renter Programs	\$0	0	\$0	0	\$0	0	\$7,244,607	894	\$0	0	\$51,298	7	\$7,295,905	901
Total	\$15,374,586	199	\$4,370,843	63	\$1,058,137	36	\$7,244,607	894	\$0	0	\$51,298	7	\$28,099,471	1199

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 11

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$276,965	7	\$57,778	1	\$540,000	18	\$778,103	85	\$0	0	\$51,298	7	\$1,704,144	118
30-50% AMFI	\$3,696,938	60	\$372,956	7	\$398,137	14	\$0	0	\$0	0	\$0	0	\$4,468,031	81
50-80% AMFI	\$6,846,185	88	\$3,940,110	55	\$90,000	3	\$6,120,533	809	\$0	0	\$0	0	\$16,996,828	955
>80% AMFI	\$4,554,498	44	\$0	0	\$30,000	1	\$0	0	\$0	0	\$0	0	\$4,584,498	45
Total	\$15,374,586	199	\$4,370,844	63	\$1,058,137	36	\$6,898,636	894	\$0	0	\$51,298	7	\$27,753,501	1199

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

REGION 12

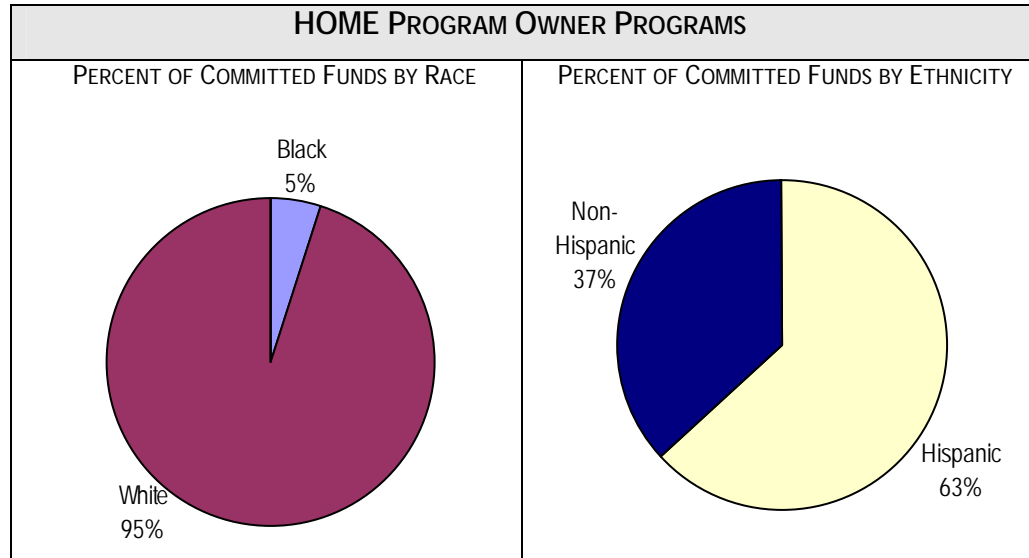
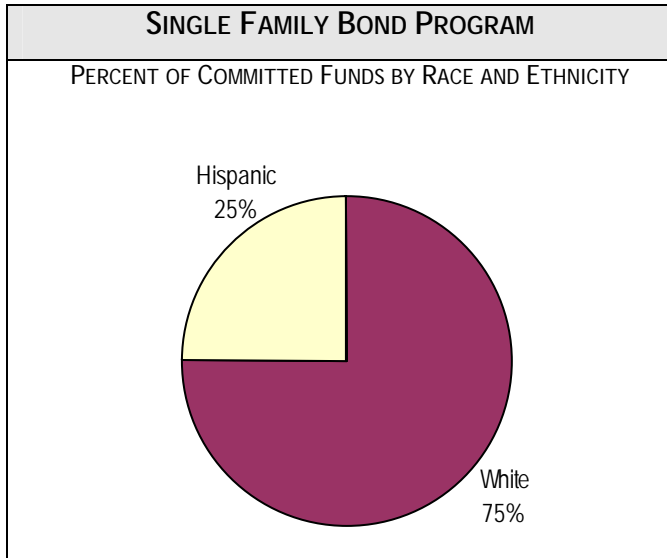
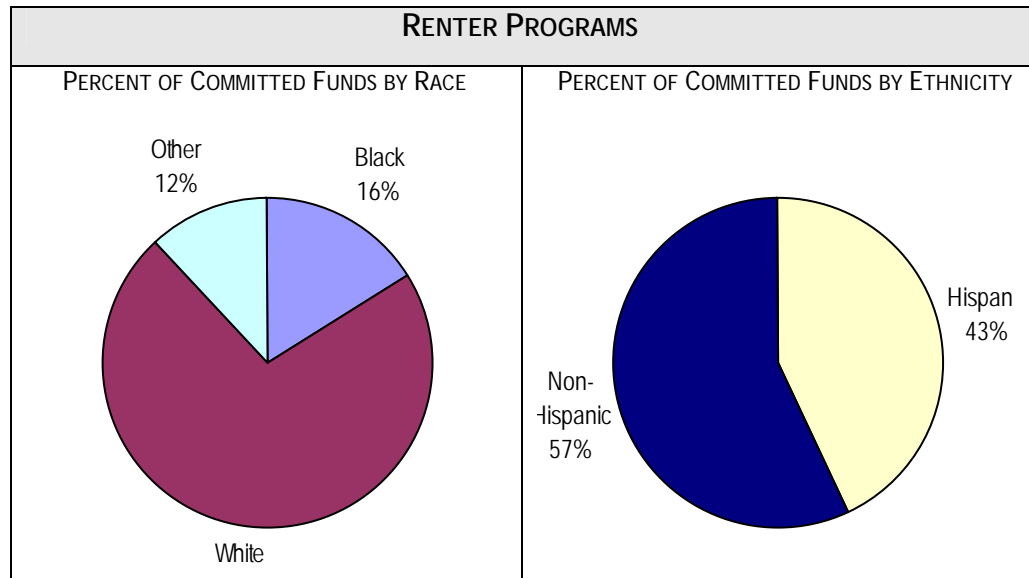


TDHCA allocated \$2,899,051 in the region in FY 2007.

Renter programs accounted for the largest segment of this total, while “Low Income” households (50-

80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 12

Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$245,967	4	\$0	0	\$60,000	2	\$0	0	\$0	0	\$0	0	\$305,967	6
Renter Programs	\$0	0	\$730,000	37	\$0	0	\$1,819,295	294	\$0	0	\$43,789	11	\$2,593,084	342
Total	\$245,967	4	\$730,000	37	\$60,000	2	\$1,819,295	294	\$0	0	\$43,789	11	\$2,899,051	348

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 12

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$0	0	\$0	0	\$0	0	\$163,205	23	\$0	0	\$43,271	10	\$206,476	33
30-50% AMFI	\$177,967	3	\$157,838	8	\$60,000	2	\$104,362	15	\$0	0	\$518	1	\$500,685	29
50-80% AMFI	\$68,000	1	\$572,162	29	\$0	0	\$1,535,908	256	\$0	0	\$0	0	\$2,176,070	286
>80% AMFI	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0
Total	\$245,967	4	\$730,000	37	\$60,000	2	\$1,803,475	294	\$0	0	\$43,789	11	\$2,883,231	348

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

REGION 13

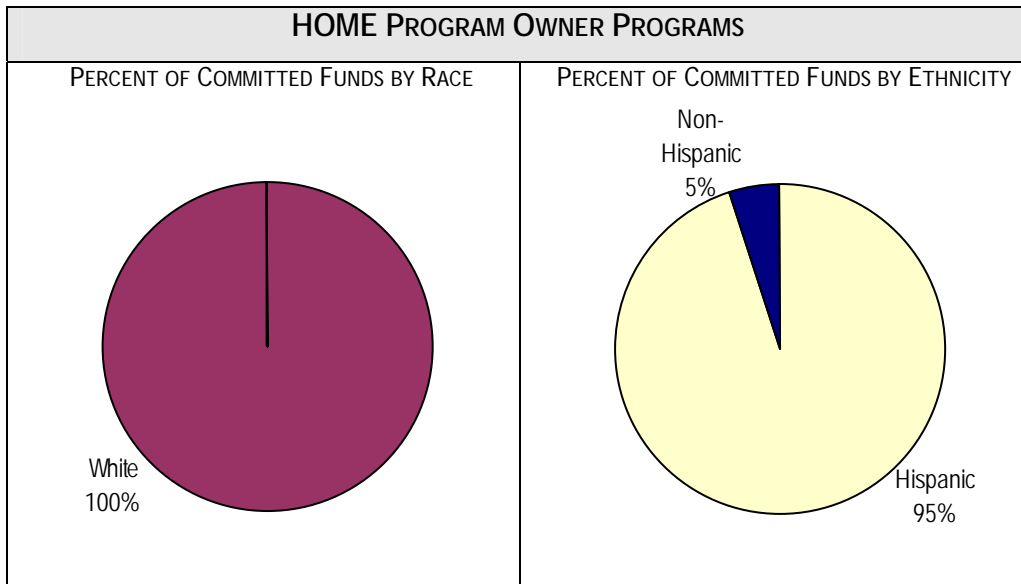
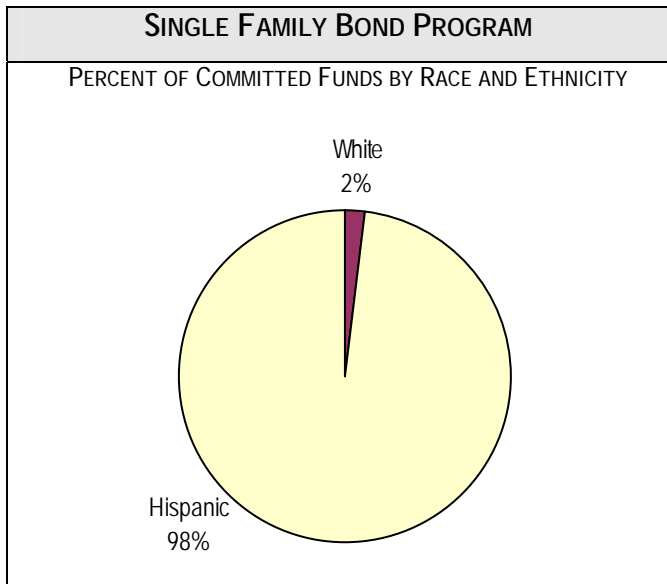
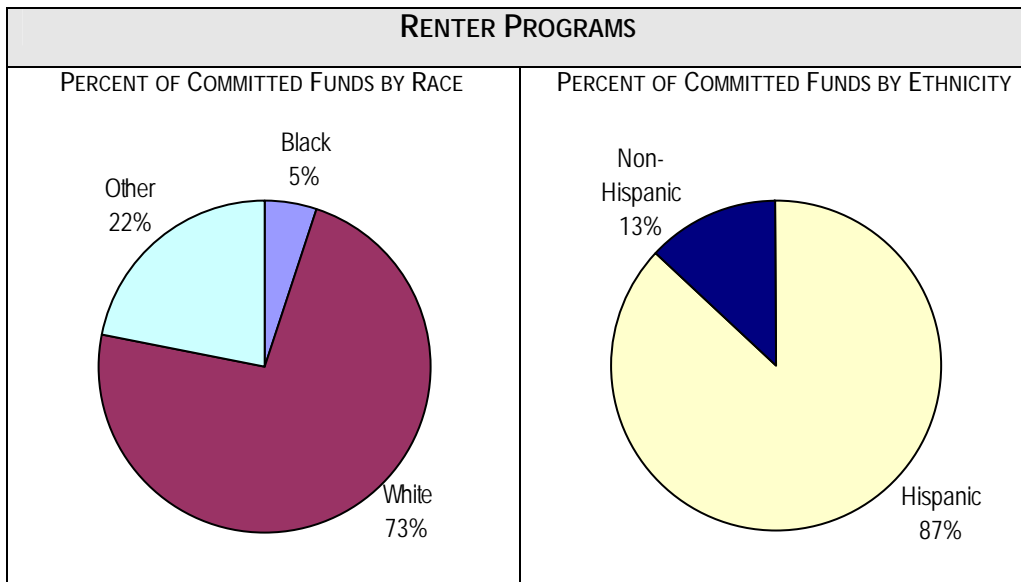


TDHCA allocated \$9,481,287 in the region in FY 2007.

Homeowner programs accounted for the largest segment of this total, while “Low Income” households (50-

80% AMFI) was the most served income group.

Note: Because loan servicers do not record race and ethnicity data separately, data for the Single Family Bond program is presented in one combined chart.



Annual Report

Participation in TDHCA Programs

FUNDING AND HOUSEHOLDS SERVED, BY ACTIVITY AND HOUSING PROGRAM TYPE, REGION 13

Activity	SF Bond		HOME		HTF		HTC		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
Homeowner Programs	\$5,289,645	59	\$0	0	\$709,500	31	\$0	0	\$0	0	\$0	0	\$5,999,145	90
Renter Programs	\$0	0	\$0	0	\$0	0	\$3,482,142	682	\$0	0	\$0	0	\$3,482,142	682
Total	\$5,289,645	59	\$0	0	\$709,500	31	\$3,482,142	682	\$0	0	\$0	0	\$9,481,287	772

FUNDING AND HOUSEHOLDS SERVED, BY INCOME CATEGORY AND HOUSING PROGRAM, REGION 13

Income	SF Bond		HOME		HTF		HTC*		MF Bond		Section 8		All Activities	
	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served	Committed Funds	Number of Households Served
0-30% AMFI	\$41,300	1	\$0	0	\$237,000	10	\$228,633	31	\$0	0	\$0	0	\$506,933	42
30-50% AMFI	\$1,341,778	18	\$0	0	\$442,500	20	\$346,251	76	\$0	0	\$0	0	\$2,130,529	114
50-80% AMFI	\$3,204,267	35	\$0	0	\$30,000	1	\$2,788,662	575	\$0	0	\$0	0	\$6,022,929	611
>80% AMFI	\$702,300	5	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$702,300	5
Total	\$5,289,645	59	\$0	0	\$709,500	31	\$3,363,546	682	\$0	0	\$0	0	\$9,362,691	772

*The HTC data by income category does not include the region's portion of \$2,009,745 allocated in FY 2007 to awardees from FY 2004.

FAIR HOUSING SPONSOR REPORT ANALYSIS

TDHCA requires that housing developments of 20 units or more that receive financial assistance from TDHCA submit an annual housing sponsor report. This report includes the contact information for each property, the total number of units, the number of accessible units, the rents for units by type, the racial composition information for the property, the number of units occupied by individuals receiving supported housing assistance, the number of units occupied delineated by income group, and a statement as to whether there have been fair housing violations at the property. This information depicts the property information as of a specific date, December 31, of each year.

Because of the extensive nature of the information, TDHCA has elected to provide this report under a separate cover: the TDHCA *Housing Sponsor Report* (HSR). The HSR includes an analysis of the collected information, as well as the information submitted by each property. In addition, in fulfillment of §2306.072(c)(8), the HSR contains a list of average rents by Texas county, based on housing sponsor report responses from TDHCA-funded properties.

For more information and a copy of this report, please contact the TDHCA Housing Resource Center at (512) 475-3976 or visit <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm>.

GEOGRAPHIC DISTRIBUTION OF HOUSING TAX CREDITS

Section 2306.111(d) of the Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its 9% HTC to the Uniform State Service Regions it uses for planning purposes. Because of the level of funding and the impact of this program in financing the multifamily development of affordable housing, this section of the Plan discusses the geographical distribution of HTCs.

For FY 2007, the Department had \$49,085,817 in housing tax credits to allocate through the Competitive Housing Tax Credit application process. This amount was comprised of the annual volume cap, recaptured and returned credits, and \$548,821 from the national pool of unused tax credits from other states. Over the course of the year, the total amount of Competitive and 4% tax credits approved by the Board, including binding agreements to 2004 applications using 2007 tax credits and forward commitments, was: \$80,786,887. In July 2007, the Department's Board approved 53 applications for Competitive HTCs, 8 forward commitments made out of the 2007 State Housing Credit Ceiling, and 52 binding agreements of housing tax credits to 2004 applications using the 2007 State Housing Credit Ceiling, totaling \$47,695,110. Any remaining 2007 credit authority will be allocated to applicants on the 2007 waiting list. Alternately, if the credit balance meets the IRS de minimus requirements, it may be rolled into the 2008 State Housing Credit Ceiling. Under either scenario, the Department will be eligible to receive credits from the national pool of unused credits. The 4% awards, which are approved by the Board throughout the year, totaled \$28,132,472 for FY 2007. Information on these awards, as well as the entire HTC inventory, can be found on the HTC Program's web page at <http://www.tdhca.state.tx.us/multifamily/htc/index.htm>. The map on the following page displays the geographic distribution of the FY 2007 9% and 4% awards

REGIONAL ALLOCATION FORMULA

The table below shows the funding distribution of FY 2007 awards by region and includes the variations between the actual distribution and the 9% HTC RAF targets. The Department plans the credit distributions to match the HTC RAF targets as closely as possible; the RAF targets apply to the 9% HTC program. To that end, as many whole awards as possible are made in each Uniform State Service Region's urban and rural subregions, based on the RAF target for each. The total remainder in each region is then collapsed into 13 regional pools. The subregion with the highest original target percentage is determined within each region and, if possible, additional awards are made in these subregions out of the region's pool. If a region does not have enough qualified applications to meet its regional credit distribution target, then those credits will be apportioned to the other regions from a statewide pool of remaining credits.

Region	All HTCs	% of All HTCs	4% HTCs	% of All 4% HTCs	9%HTCs	% of All 9% HTCs	Targeted 9% Dist. Under RAF	Difference between Actual and Targeted
1	\$2,654,085	3.3%	\$629,797	2.1%	\$2,024,288	3.9%	4.7%	-0.8%
2	\$1,203,315	1.5%	-	0.0%	\$1,203,315	2.3%	2.7%	-0.4%
3	\$17,653,106	21.7%	\$9,222,033	31.3%	\$8,431,073	16.2%	16.4%	-0.2%
4	\$2,587,426	3.2%	-	0.0%	\$2,587,426	5.0%	5.0%	0.0%
5	\$5,714,785	7.0%	-	0.0%	\$5,714,785	11.0%	3.5%	7.5%
6	\$18,276,776	22.5%	\$8,407,130	28.5%	\$9,869,646	19.0%	24.2%	-5.2%
7	\$6,879,634	8.5%	\$3,261,743	11.1%	\$3,617,891	7.0%	7.6%	-0.6%
8	\$3,785,088	4.7%	\$759,591	2.6%	\$3,025,497	5.8%	6.1%	-0.3%
9	\$8,229,736	10.1%	\$5,164,972	17.5%	\$3,064,764	5.9%	5.8%	0.1%
10	\$3,734,493	4.6%	\$1,512,904	5.1%	\$2,221,589	4.3%	4.1%	0.2%

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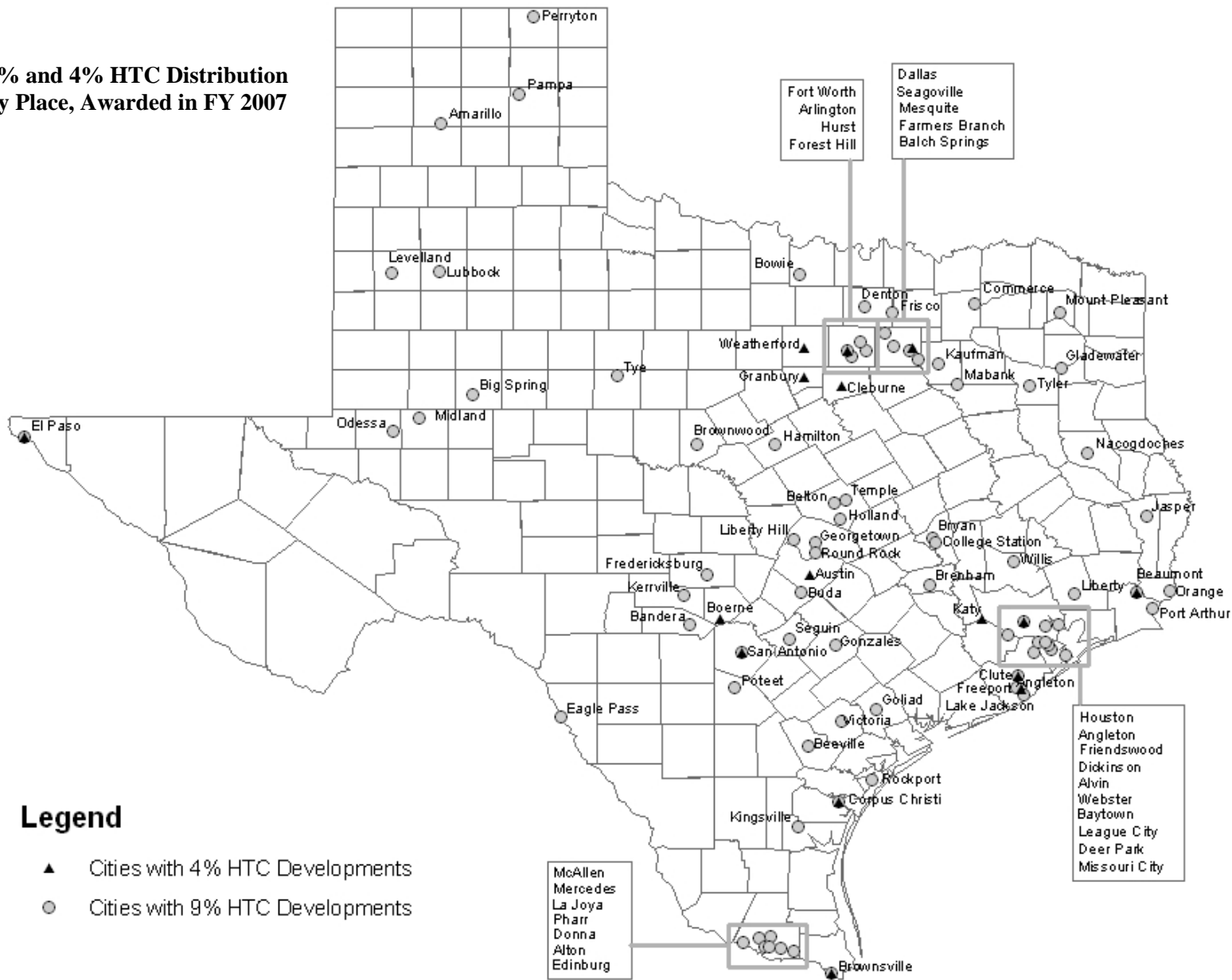
Distribution of Housing Tax Credits

11	\$5,672,006	7.0%	-	0.0%	\$5,672,006	10.9%	12.1%	-1.2%
12	\$1,459,808	1.8%	-	0.0%	\$1,459,808	2.8%	2.9%	-0.1%
13	\$3,512,286	4.3%	\$489,934	1.7%	\$3,022,352	5.8%	4.8%	1.0%
Total	\$81,362,544	100.0%	\$29,448,104	100.0%	\$51,914,440	100.0%	100.0%	-0.8%

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Distribution of Housing Tax Credits

9% and 4% HTC Distribution by Place, Awarded in FY 2007



SECTION 3: HOUSING ANALYSIS

This section of the Plan contains an overview of the affordable housing needs in the state and an estimate and analysis of the housing needs in each region.

DATA SOURCES AND LIMITATIONS

The information provided in this section should be considered within the context of its limitations. The Department recognizes that an undistorted assessment of housing need can be found only at the local level based on the direct experience of local households. The following issues should be considered when reviewing the information contained in this report:

- Nuances of housing need are lost when data is aggregated into regional, county, and statewide totals. For example, housing needs in rural communities are often distorted when reported at the county level because housing needs are often very different in rural and urban areas. The large population of urban metropolitan areas can skew the data and mask the needs of the rural areas.
- Reliable data available on the condition of the housing stock, the homeless population, and the housing needs of special needs populations is very limited.

2000 Census and 2000 CHAS data is primarily used in this report. The content and format of the Census-based tables, graphs, and maps provided in this section were derived, in part, from a methodology for housing needs assessment in the National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies. The Urban Institute prepared this document for the US Department of Housing and Urban Development (HUD). It provides a methodology with which to describe and analyze local housing markets in order to develop strategies for addressing housing problems and needs. The document served as a guide for the preparation of Comprehensive Housing Affordability Strategy (CHAS) reports. As such, it provides a systematic framework for housing market analysis. HUD collaborated with the US Census Bureau to develop special tabulations of the 2000 Census data.

The CHAS database classifies households into five relative income categories based on reported household income, the number of people in the household, and geographic location. These income categories are used to reflect income limits that define eligibility for HUD's major assistance programs, as well as for other housing programs, such as the Housing Tax Credit Program. Households are classified into income groups by comparing reported household income to HUD-Adjusted Median Family Income (HAMFI). The income limits are calculated by household size for each metropolitan area and non-metropolitan county in the United States and its territories. They are based on HUD estimates of median family income with several adjustments as required by statute. The income classifications are extremely low income, very low income, low income, moderate income, and above 95 percent of HAMFI.¹

The income limits for metropolitan areas may not be less than limits based on the state non-metropolitan median family income level and must be adjusted accordingly. Income limits must be also adjusted for family size and may be adjusted for areas with unusually high or low family income or housing-cost-to-income relationships.

Unit affordability compares housing cost to local area HAMFI. Affordable units are defined as units for which a household would pay no more than 30 percent of its income for rent and no more than two and one-half times its annual income to purchase. Since HUD's adjusted median family incomes are estimated

¹ The CHAS figures for moderate and higher income households in Region 11 indicate that there are only 199 persons with incomes between 80-95 percent of the AMFI. TDHCA has been unable to get more accurate information for this segment of the population. However, the planning impact for the SLIHP is relatively low because, except for the first time homebuyer program which is done through a network of participating lenders, TDHCA programs serve persons below 80 percent AMFI.

Housing Analysis

Data Sources and Limitations

for a family of four, affordability levels are also adjusted to control for various-sized units based on the number of people that could occupy a unit without overcrowding. This adjustment is made by multiplying the threshold described above by 75 percent for a 0–1 bedroom unit, 90 percent for a two bedroom unit, and 104 percent for a 3+ bedroom unit.

Homeless figures are taken from 2000 Census group quarters population and type tables, contained in Census 2000 Summary File 1. Group quarters type designations include institutional quarters, which include correctional facilities, hospitals, and juvenile institutions, as well as noninstitutional quarters, which include military quarters, group homes, dormitories, and other situations. Based on the Definitions of Subject Characteristics contained in the Technical Documentation for Summary File 1: 2000 Census of Population and Housing published by the US Census Bureau, this report uses “other noninstitutional group quarters” and “other nonhousehold living situations” census figures to represent the homeless population in each region. “Other noninstitutional group quarters” counts individuals in shelters for abused women, soup kitchens, mobile food vans, and other targeted nonsheltered outdoor locations where there is evidence of human occupation. “Other nonhousehold living situations” counts individuals with no usual home residing in hostels and YMCAs who were not counted in other tabulations.

The US Census also completed a special tabulation, Emergency and Transitional Shelter Population: 2000, based on metropolitan areas with 100 or more people in emergency and transitional shelters. It must be noted that this data only refers to metropolitan areas with 100 or more people in shelters, so is not a comprehensive picture of the total population living in shelters. In the region sections of this document, if the Census counted individuals living in emergency shelters in a metropolitan area that is located in the region, those figures are provided.

It must be emphasized that the regional estimates of the homeless populations are not comprehensive. The various definitions of homeless and methods in counting the homelessness make definitive tabulations difficult. The Texas Interagency Council for the Homeless estimates that about 200,000 people, or 1 percent of the state’s population, are homeless.² The Census figures for individuals living in “other noninstitutional group quarters” and “other nonhousehold living situations” count only 28,377 individuals statewide.

The needs assessment data is augmented with additional information from the perspective of local officials, where available. In March 2006, TDHCA conducted the 2006 State of Texas Community Needs Survey. This survey was designed to obtain a better understanding of housing and community development needs, issues, and problems at the state, regional, and local levels. The survey gave local officials, who are most familiar with the unique characteristics of their communities, a voice in determining how Texas’s affordable housing, supportive service, and community development needs can be most effectively addressed.

² Texas Interagency Council for the Homeless, “Key Facts,” <http://www.tich.state.tx.us/facts.htm> (accessed August 8, 2006).

STATE OF TEXAS

The state level housing analysis includes information on demographics, special needs populations, and affordable housing need indicators. Department plans reflect this statewide information as well as the consideration of affordable housing assistance from various sources.

DEMOGRAPHIC CHARACTERISTICS

Texas is one of the fastest growing states in the nation. According to recent Census data, Texas population expanded by nearly a quarter (22.8 percent) between 1990 and 2000, far exceeding the national growth average of 13.2 percent for the same decade. The increase in state population by 3,865,310 persons was the largest of any decade in Texas history. More than one of every nine persons added to the population of the United States in the 1990s was added in Texas.³

Projected Population Change and Implications for Housing Need

- Looking at long-term demographic projections, it is clear that the demand for affordable and subsidized housing will increase in the coming years.
- The 2000 state population of 20.9 million is expected to surge to 50.4 million by 2040.
- The Anglo population will account for only 3.9 percent of net population growth from 2000 to 2040, meaning that more than 96 percent of the total net increase in Texas population between 2000 and 2040 will be due to the non-Anglo population.
- Anglo population is expected to grow by 10.4 percent between 2000 and 2040, while blacks are expected to increase by 65.0 percent and Hispanics by 348.7 percent.
- The population is becoming older: the median age will increase from 32.3 in 2000 to 38.3 in 2040. The percentage of the population that was 65 or older was 9.9 percent in 2000 but will increase to 20 percent by 2040.
- Growth in the number of households, projected at 162.1 percent over the period 2000-2040, will outstrip population growth: 142.6 percent during the same period.

Expected housing demand is directly linked to projected changes in population characteristics. The current ethnic shift is significant because of the substantial differences between the races in terms of income level. The absolute difference in median household income between Anglos and Blacks was \$13,602 in 1989, but \$17,857 in 1999; and the Anglo-Hispanic difference was \$12,242 in 1989, but \$17,289 in 1999. Similarly, the poverty rates of 23.4 percent for Blacks and 25.4 percent for Hispanics were still roughly three times as high as the 7.8 percent of persons in poverty among Anglos. Because of these disparities, households in Texas will become poorer over the coming decades unless the relationship between ethnicity and income somehow changes.⁴

A correlation also exists between income and age. According to the 2000 Census, 13.1 percent of Texans age 65 and older live below the poverty level. Lower incomes combined with rising healthcare costs contribute to the burden of paying for housing. Approximately 30 percent of all elderly households spend more than 30 percent of their income on housing, while 14 percent spend more than 50 percent of their income on housing. These statistics take on new urgency when considered alongside the anticipated upsurge in the state's elderly population.

³ Information for the Housing Analysis comes from the 2000 US Census except where noted otherwise.

⁴ Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas*, by Steve H. Murdock et. al. (Texas A&M University System, December 2002), <http://txsdc.utsa.edu/download/pdf/TxChall2002.pdf> (accessed May 17, 2006).

Housing Analysis

State of Texas

Not only will the demographics of the population be changing, but so will its needs. The faster growth in number of households than in total population is a reflection of the large number of non-Anglos who will enter household-formation ages during this time period. More young families mean an increased demand for housing.⁵

Poverty and Income

According to the 2000 Census, Texas has the ninth highest overall poverty rate in the nation, with a rate of 15.4 percent compared to the national rate of 12.4 percent. Poverty conditions along the Texas-Mexico border warrant special attention. Parts of the region, like McAllen-Edinburg-Mission, suffer from an unemployment rate double that of the state's (12 percent vs. 6.1 percent) and less than half of state's per capita income average. Fifteen counties along the border have a poverty rate of at least 25 percent, almost double the national average. Conditions are particularly acute in the colonias, unincorporated areas along the Texas-Mexico border lacking infrastructure and decent housing. It is estimated that 43 percent of colonia residents live below the poverty level.

The poverty rate for all family households in Texas, different from the overall poverty rate, is expected to increase from the 2000 figure of 11.4 percent to 15.4 percent by 2040.⁶ The primary reasons for this are the rapid growth of present minority populations and the dominance in the economy of low-paying, particularly service-industry, jobs.⁷ While manufacturing and mining continue to decline, Texas ranked third in the nation in 2003 for service industry job creation. According to US Bureau of Labor Statistics data, eight of the top ten most common jobs in Texas earn incomes that fall at least \$10,000 below the state median income of \$33,770.

Many families who rely on these low-wage occupations for a living find it difficult to cover all essential expenses. According to a study by the Center for Public Policy Priorities, "a significant proportion of families throughout the state struggle paycheck-to-paycheck to make ends meet." The study examined a typical family's fundamental expenses, such as housing, food, child care, medical costs, transportation, taxes, etc., and compared the total bill to typical wages earned in the 27 Texas Metropolitan Statistical Areas. The study asserts that a family of four in Texas requires a household hourly income of \$18 to \$22 per hour (depending on the metro area in which the family lives) to simply meet its most basic needs. In a majority of Texas metro areas, however, half of the total employment is in occupations with a median wage under \$10 per hour.⁸

The Texas Comptroller's Economic Update predicts that the fastest growing sector of the state economy over the next decade will be largely in industries requiring specialized education and skills. These industries include high tech communications, engineering, and research.

To provide a more detailed breakdown of the population by income level, this report will use the five income groups designated by HUD. Households are classified into these groups by comparing reported household incomes to HUD-adjusted median family incomes (HAMFI). The income level definitions are as follows:

- Extremely Low Income: At or below 30 percent of HAMFI
- Very Low Income: Between 31 percent and 50 percent of HAMFI
- Low Income: Between 51 percent and 80 percent of HAMFI

⁵ Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*.

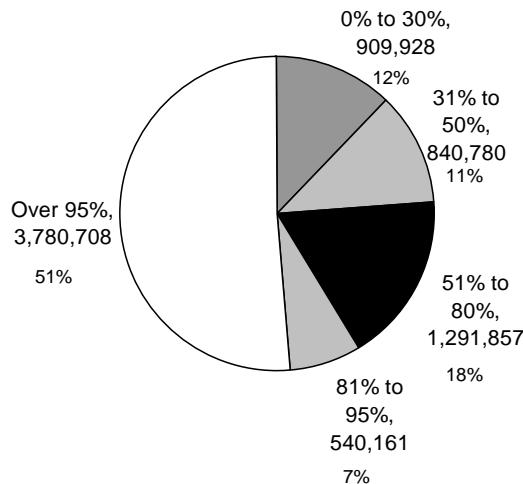
⁶ Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*.

⁷ Center for Public Policy Priorities, *Making It: What it Really Takes to Live in Texas* (Austin, TX: Center for Public Policy Priorities, September 2002).

⁸ Center for Public Policy Priorities, *Making It: What it Really Takes to Live in Texas*.

- Moderate Income: Between 81 percent and 95 percent of HAMFI
- Above 95 percent of HAMFI

Households by Income Group in Texas, 2000



Source: 2000 CHAS data

The chart above indicates the 2000 distribution of households by income group across Texas by number and percentage. A total of 41 percent of all households are in the low income range (0 to 80 percent of HAMFI). Meeting the needs of this large portion of the state’s households is TDHCA’s primary focus.

AFFORDABLE HOUSING NEED

When analyzing local housing markets and developing strategies for meeting housing problems, HUD suggests the consideration of several factors. These factors include how much a household spends on housing costs, the physical condition of the housing, and whether or not the household is overcrowded. The following table reveals the number and percentage of households with at least one housing need by income category and household type.

Households with Housing Need by Income Group

		Renter Households			Owner Households		
		At Least One Problem	Total Households	Percent with At Least One Problem	At Least One Problem	Total Households	Percent with At Least One Problem
0-30% AMFI	Elderly Households	59,065	95,130	62.1%	100,876	151,597	66.5%
	Small Related	162,308	204,534	79.4%	76,492	102,443	74.7%
	Large Related	63,879	69,467	92.0%	39,256	44,325	88.6%
	Other Households	133,429	183,124	72.9%	39,368	59,120	66.6%
	Total Households	418,681	552,255	75.8%	255,992	357,485	71.6%
31-50% AMFI	Elderly Households	36,578	61,305	59.7%	62,920	168,088	37.4%
	Small Related	133,605	180,725	73.9%	79,006	240,138	32.9%
	Large Related	58,132	67,274	86.4%	53,907	104,329	51.7%
	Other Households	102,090	127,074	80.3%	24,401	68,290	35.7%
	Total Households	330,405	436,378	75.7%	220,234	406,282	54.2%
51-80% AMFI	Elderly Households	19,934	47,527	41.9%	41,173	210,720	19.5%
	Small Related	98,014	250,309	39.2%	121,204	282,336	42.9%
	Large Related	57,987	81,881	70.8%	81,842	132,264	61.9%
	Other Households	79,147	210,629	37.6%	35,978	79,867	45.0%
	Total Households	255,082	590,346	43.2%	280,197	705,187	39.7%
81-95% AMFI	Elderly Households	3,638	13,761	26.4%	9,883	78,918	12.5%
	Small Related	18,310	91,694	20.0%	40,150	147,881	27.2%
	Large Related	14,142	24,917	56.8%	25,542	53,828	47.5%
	Other Households	11,784	90,223	13.1%	14,049	40,543	34.7%
	Total Households	47,874	220,595	21.7%	89,624	321,170	27.9%
More Than 95% AMFI	Elderly Households	8,169	54,143	15.1%	23,454	497,428	4.7%
	Small Related	43,853	400,026	11.0%	131,939	1,749,473	7.5%
	Large Related	35,490	74,662	47.5%	92,229	360,855	25.6%
	Other Households	17,060	338,469	5.0%	34,919	303,446	11.5%
	Total Households	104,572	867,300	12.1%	282,541	2,911,202	9.7%
Total Households	Elderly Households	127,384	399,250	31.9%	238,306	1,345,057	17.7%
	Small Related	456,090	1,583,378	28.8%	448,791	2,971,062	15.1%
	Large Related	229,630	547,831	41.9%	292,776	988,377	29.6%
	Other Households	343,510	1,293,029	26.6%	148,715	699,981	21.2%
	Total Households	1,156,614	3,823,488	30.3%	1,128,588	5,829,914	19.4%

Source: 2000 CHAS data

Physical Inadequacy (Lack of Kitchen and Plumbing Facilities)

The measure of physical inadequacy available from the CHAS database tabulation of the 2000 Census is the number of units lacking complete kitchen and/or plumbing facilities. While this is not a complete measure of physical inadequacy, the lack of plumbing and/or kitchen facilities can serve as a strong indication of one type of housing inadequacy. The following figure demonstrates that among the

physically inadequate housing units for households under 80 percent of HAMFI, 44 percent are affordable to extremely low income households.

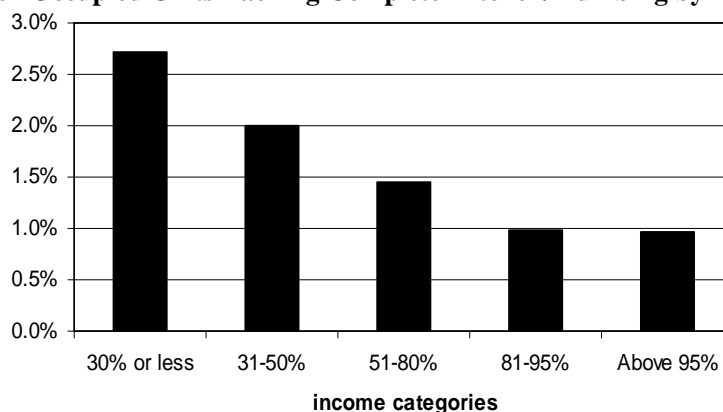
Units Lacking Kitchen and/or Plumbing Facilities by Affordability Category, 2000

	Number	Percent
0% to 30%	25,817	44%
31% to 50%	15,907	27%
51% to 80%	16,341	28%
Total	58,065	100%

Source: 2000 CHAS data

Slightly more than 1 percent of all renter households in Texas lack complete kitchen or plumbing facilities. The following table shows the distribution of this problem by income group. Households in the lowest income group, less than 30 percent HAMFI, have the highest incidence of physically inadequate housing.

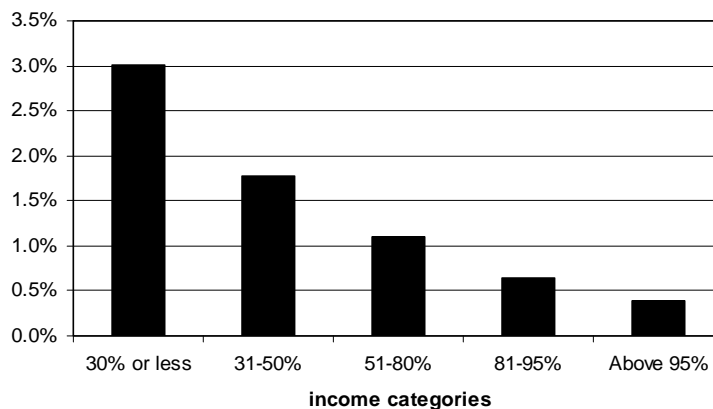
Renter-Occupied Units Lacking Complete Kitchen/Plumbing by Percent



Source: 2000 CHAS data

As is the case with renter households, inadequate kitchen and plumbing is a greater problem for the lowest income categories of owner households. A full 3 percent of owner households earning below 30 percent HAMFI lack full kitchen or plumbing facilities.

Owner-Occupied Units Lacking Complete Plumbing/Kitchen by Percent

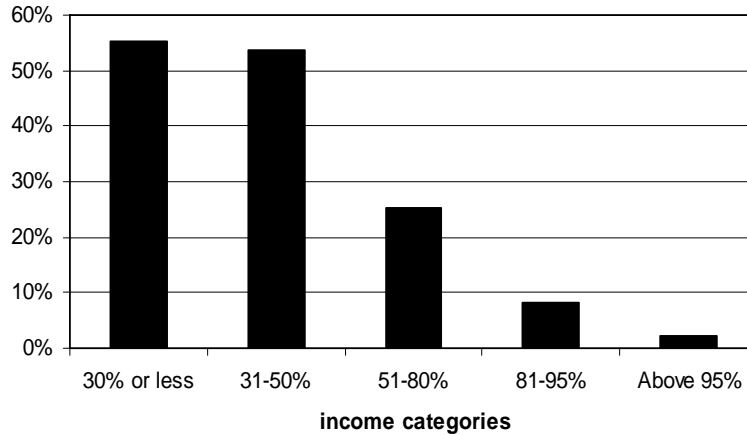


Source: 2000 CHAS data

Excess Housing Cost Burden

An excess cost burden is identified when a household pays more than 30 percent of its gross income for housing costs. When so much is spent on housing, other basic household needs may suffer. As the following graph shows, a majority of renter households in the lowest two income categories, totaling more than 540,000 households, is burdened by paying an excess portion of income toward housing. This is much greater than in the highest income category, above 95 percent HAMFI, where only 2.2 percent of households experience the problem.

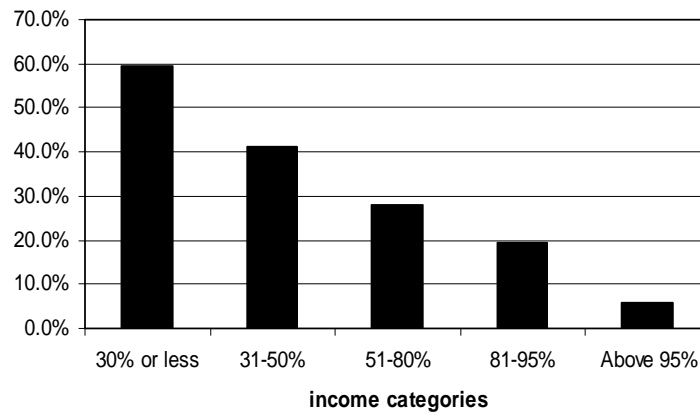
Renter Households with Excess Housing Cost Burden (>30% of Income) by percent



Source: 2000 CHAS data

As shown in the following graph, excess housing cost burden affects 59.3 percent of owner households in the lowest income category. This figure, representing a majority, is much higher than the 5.7 percent of households affected in the highest income category. The graph illustrates the direct correlation between owner income category and an owner household's likelihood of experiencing this problem.

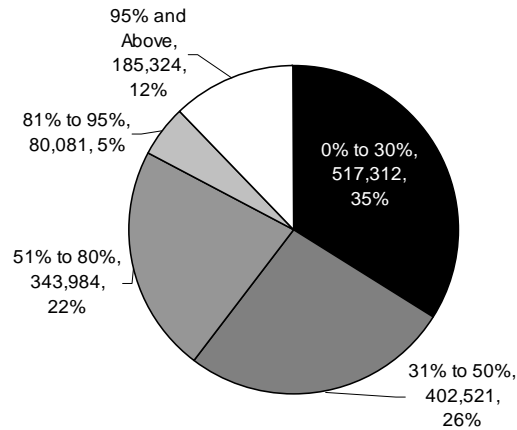
Owner Households with Excess Housing Cost Burden (>30% of Income) by percent



Source: 2000 CHAS data

The chart below shows the total number and percentage of households with excess housing cost burden by income group.

Excess Housing Cost Burden by Income Group, 2000



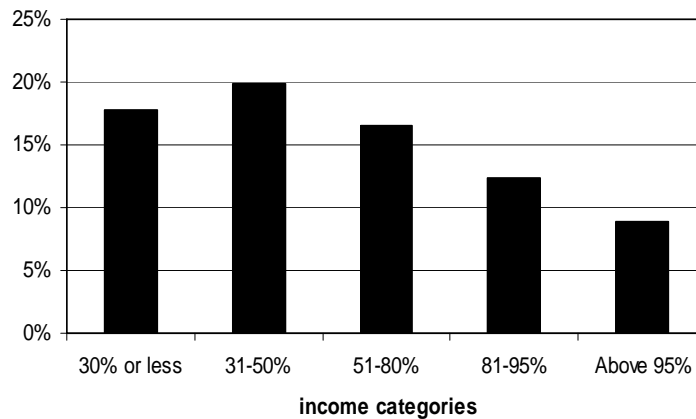
Source: 2000 CHAS Data

Overcrowding

Overcrowded housing conditions occur when a residence accommodates more than one person per each room in the dwelling. Overcrowding may indicate a general lack of affordable housing in a community where households have been forced to share space, either because other housing units are not available or because the units available are too expensive.

Lower income renter households experience overcrowded conditions more frequently than higher income households. Almost 18 percent of renter households in the extremely low income category and 19.9 percent of renter households in the low income category are afflicted by overcrowding.

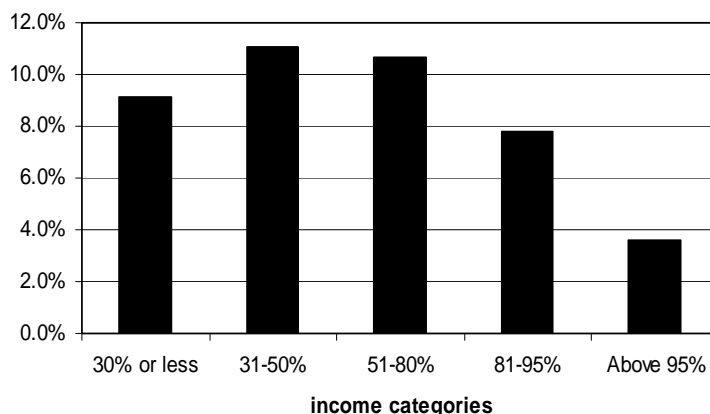
Renter Households with Incidence of Overcrowding by percent



Source: 2000 CHAS data

Lower income owner households also experience overcrowded conditions more frequently than higher income owner households. More than 21 percent of owner households earning less than 50 percent HAMFI live in overcrowded conditions compared to 11.4 percent of owner households over 80 percent HAMFI.

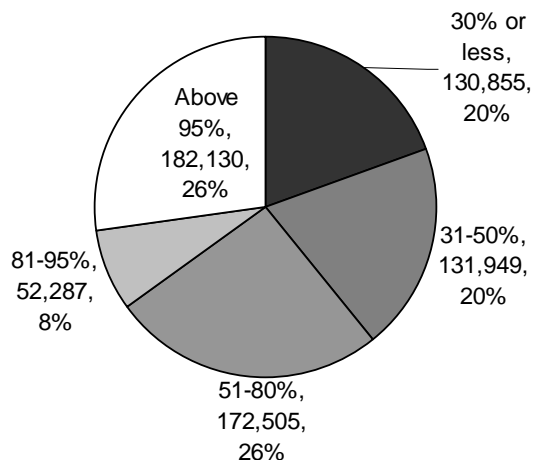
Owner Households with Incidence of Overcrowding by percent



Source: 2000 CHAS data

The chart below shows the total incidence of overcrowded households by income group.

Overcrowded Households by Income Group, 2000



Source: 2000 CHAS Database

HOUSING AVAILABILITY AND AFFORDABILITY

The following figures compare demand and supply of affordable housing by looking at the number of households and housing units in different affordability categories. Because higher income households often reside in units that could be affordable to the lowest income households, there are fewer units available at a cost that is affordable to lower income households. For example, as shown in Figure 3.12, 1.4 million households that have incomes greater than 80 percent AMFI occupy units that would be affordable to households at 0-50 percent AMFI. Households in this category can afford units in any of the defined affordability categories. Therefore, non-low income households often limit the supply of affordable housing units available to low income households.

The table below describes the housing market interaction of various income groups and housing costs. The table shows the income classifications of the occupants of housing units. The table also illustrates the housing market mismatch between housing units and income groups. For example, very low income households (0-50 percent of HAMFI) account for only about one-third of all the occupants of housing that is affordable to them. All low income households (0-80 percent of HAMFI) make up only 48 percent of all households occupying housing affordable to them. This table illustrates housing market mismatches as well as an implicit excessive cost burden for those households that are residing in units beyond their affordability category.

**Occupied Affordable Housing Units by Income Group of Occupant, 2000,
by percentage of HAMFI**

Number of Renter units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	1,112,083	588,198	246,476	277,409
Affordable to 51-80% HAMFI	1,245,842	346,703	301,491	597,648
Affordable to >80% HAMFI	305,135	52,391	41,485	211,259

Percent of Renter units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	100.0%	52.9%	22.2%	24.9%
Affordable to 51-80% HAMFI	100.0%	27.8%	24.2%	48.0%
Affordable to >80% HAMFI	100.0%	17.2%	13.6%	69.2%

Number of Owner units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	2,099,253	549,469	458,002	1,091,782
Affordable to 51-80% HAMFI	1,331,792	136,016	165,496	1,030,280
Affordable to >80% HAMFI	1,266,738	78,725	81,390	1,106,623

Percent of Owner units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	100.0%	26.2%	21.8%	52.0%
Affordable to 51-80% HAMFI	100.0%	10.2%	12.4%	77.4%
Affordable to >80% HAMFI	100.0%	6.2%	6.4%	87.4%

Number of Total units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	3,211,336	1,137,667	704,478	1,369,191
Affordable to 51-80% HAMFI	2,577,634	482,719	466,987	1,627,928
Affordable to >80% HAMFI	1,571,873	131,116	122,875	1,317,882

Percent of Total units	Total	50% or less	51-80%	Above 80%
Affordable to 0-50% HAMFI	100.0%	35.4%	21.9%	42.6%
Affordable to 51-80% HAMFI	100.0%	18.7%	18.1%	63.2%
Affordable to >80% HAMFI	100.0%	8.3%	7.8%	83.8%

Source: 2000 CHAS data

LOCAL PERCEPTION

TDHCA acknowledges that the greatest understanding of housing needs is found at the local level. TDHCA continuously strives to improve the methods used to identify regional affordable housing needs.

State of Texas Community Needs Survey

Beginning in March 2006 and ending May 2006, the Department conducted the 2006 Community Needs Survey (CNS) online to examine housing and community service needs at the local level. The survey contained 18 questions regarding housing, community affairs, and community development needs and was distributed to state representatives, state senators, mayors, county judges, city managers, housing/planning departments, USDA local offices, public housing authorities, councils of governments, community action agencies, and Housing Opportunities for Persons with AIDS (HOPWA) agencies—a total of 2,529 individuals and entities. There was a 17.2 percent response rate for the survey.

Analysis of the 2006 CNS demonstrates a strong need for housing and energy assistance. Of those respondents ranking their community's need for general assistance, approximately 31 percent indicated that housing assistance (including down payment assistance, home repair, and rental payment assistance) was their first or second priority need. Approximately 28 percent of question respondents ranked energy assistance activities as their first or second priority need. Approximately 18 percent of respondents indicated that the development of apartments was the priority need, 15 percent chose capacity building assistance, and 7 percent chose homeless assistance.

A significant 49 percent indicated that home repair assistance was the greatest need when compared to home purchase assistance and rental payment assistance. Only 8 percent stated that there was a minimal need for these housing activities in their communities. Regarding rental development activities, 35 percent indicated that their community's greatest need was the construction of new rental units, while approximately 33 percent indicated that both rental construction and rehabilitation activities were the same priority. Only 13 percent identified rehabilitation of existing units as their priority need, which is the same percentage of respondents who stated that there was a minimal need for rental development in their areas.

When considering energy assistance activities, 43 percent indicated that utility payment assistance was the greatest need followed by weatherization and minor home repairs. For homeless assistance activities, a majority 48 percent indicated that there was a minimal need for this type of assistance in their communities and 16 percent did not have an opinion on the subject. Of respondents indicated a needed activity, homeless prevention services received the highest response with 12 percent indicating that it was their priority need.

The regional results from the CNS are incorporated into the regional plans in the next section of this report. A final report on the survey, the “Report on the 2006 State of Texas Community Needs Survey,” is available online from the TDHCA Housing Resource Center at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm#reports>.

STATE HOUSING SUPPLY

The 2000 US Census reported 8.2 million housing units in Texas, of which 90.6 percent are occupied. The number of housing units increased 16 percent from 7.0 million units that were on the ground in 1990. The breakdown of occupied units by type is 4.7 million owner occupied (a 28 percent increase over 1990) and 2.8 million renter occupied (a 13 percent increase over 1990). The average household size for owner-occupied units increased to 2.87 persons per unit in 2000 as compared to 2.85 units in 1990. The average household size for renter units decreased slightly to 2.53 persons per unit in 2000 as compared to 2.55 units in 1990.

Housing Analysis

State of Texas

Almost 67 percent of the housing units in Texas are single family units, 14 percent are multifamily up to 19 units, and 10 percent are within multifamily structures with 20 units or more. An additional 9.4 percent are mobile homes, RVs, or boats.

	Total	Percent
Housing Units	8,157,575	
One Unit	5,420,910	66.50%
2 to 19 Units	1,151,599	14.10%
Over 20 Units	819,101	10.00%
Mobile Homes	731,652	9.00%
Boats, RVs	34,313	0.40%

Source: 2000 US Census

ASSISTED HOUSING INVENTORY

The following table shows the number of multifamily units in the state financed through state and federal sources, including TDHCA, the US Department of Housing and Urban Development (HUD), public housing authorities (PHAs), Section 8 Housing Choice Vouchers, and the United States Department of Agriculture (USDA). The table also includes local housing finance corporations (HFCs), a category which encompasses the Texas State Affordable Housing Corporation. Please note that because some developments layer funding from multiple sources, there may be double counting.

TDHCA data includes multifamily developments awarded up until the end of FY 2007, so not all units included in the total had been built at the time of this document's publication. Additionally, the TDHCA unit total only includes those units that have income restrictions, and does not include market-rate units that are available in some developments.

HUD unit data was obtained from HUD's April 2007 report, "Multifamily Housing Inventory Survey of Units for the Elderly and Disabled," available at <http://www.hud.gov/offices/hsg/mfh/hto/state/tx.pdf>. Though the report title specifically references units available to the elderly and persons with disabilities, the report also contains information on family properties, and therefore encompasses the full scope of HUD properties. Please note, however, that there may be double counting with units financed through other programs, including public housing.

Numbers for current PHA units and Section 8 Housing Choice Vouchers were obtained from HUD's "Housing Authority Profiles" data at <https://pic.hud.gov/pic/haprofiles/haprofilelist.asp>. TDHCA Section 8 vouchers are also included in this figure. USDA unit data was obtained directly from USDA staff in October 2007.

HFC data, including Texas State Affordable Housing Corporation data, was obtained from the Housing Finance Corporation Annual Report that HFCs are required to submit to TDHCA annually. The figure describes the total units financed by the HFCs through June 2007, and does not specify assisted units, so these unit totals will also include market-rate units in the area. Because the majority of HFC-financed developments also receive housing tax credits from TDHCA, these units are not included in the final state total.

State Assisted Multifamily Units

	State Total	Percent of State Inventory
TDHCA Units	188,107	36.4%
HUD Units	102,349	19.8%
PHA Units	55,098	10.6%
Section 8 Vouchers	145,416	28.1%
USDA Units	26,435	5.1%
HFC Units*	96,001	N/A
Total	517,405	100%

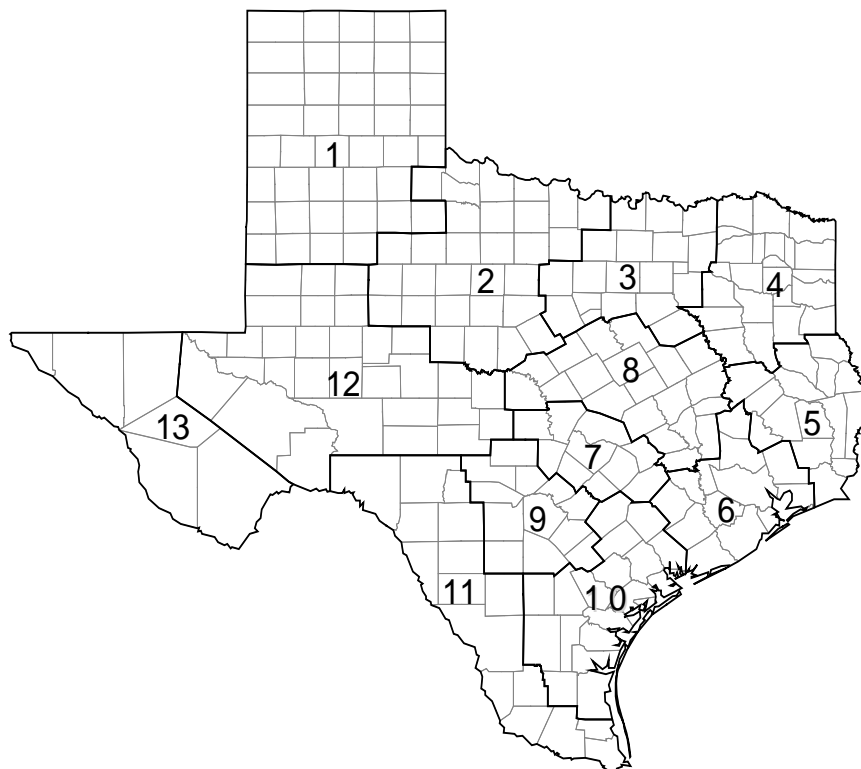
*Because HFC developments report total units and do not specify assisted units, and that the majority of HFC-financed developments also receive housing tax credits from TDHCA, these units are not included in the final total.

UNIFORM STATE SERVICE REGIONS

The Department uses 13 Uniform State Service Regions for research and planning purposes. These regions follow the Texas Comptroller of Public Accounts' grouping that creates 13 regions to better identify the unique characteristics of the border counties and to treat larger metropolitan areas as distinct regions. The Uniform State Service Regions are shown below.

Map of the Uniform State Service Regions

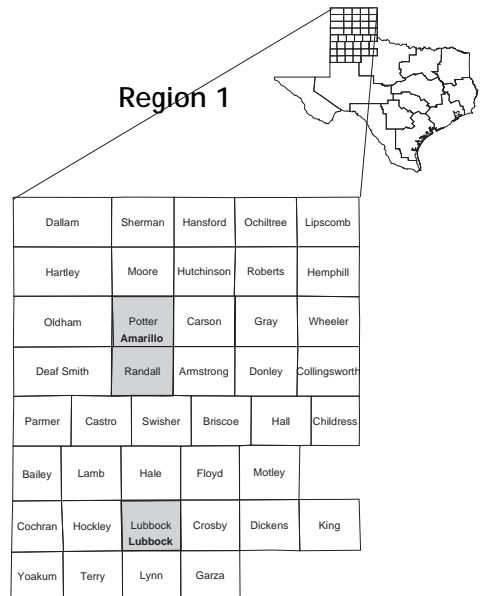
The size and diversity of the state of Texas necessitates tailored regional sections. Each of the following



Uniform State Service Region plans includes a general demographic description, which uses US Census housing data; a needs assessment, which examines housing problems in the area; an estimate of the existing housing supply; local input into the housing needs of the region; an estimate of the number of assisted multifamily units available, and the Department's resource allocation plans for the year.

REGION 1

This 41-county region in the northwest corner of Texas encompasses over 39,500 square miles of the Panhandle. According to the 2000 Census, the total population in Region 1 is 780,733, which represents 3.7 percent of the state's total population.



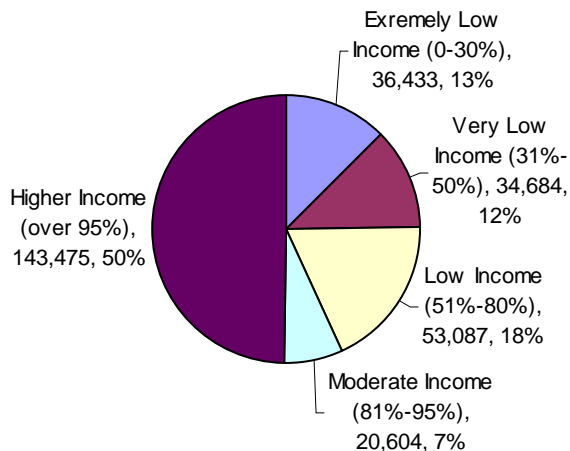
Region 1 Population Figures

	Region Total	Percent in Region	Percent of State Total
Total Population	780,733		3.7%
Persons with Disabilities	138,520	17.7%	3.8%
Elderly Persons (without disabilities)	50,862	6.5%	4.7%
Individuals in Poverty	122,991	15.8%	3.9%

Source: 2000 Census

Approximately 57 percent of the population lives in the urban areas, including Amarillo and Lubbock, and the rest live in rural areas of the region.

Region 1 Household Incomes



The pie chart to the left depicts the income breakdown of the 288,273 households in the region. Approximately 43 percent of households are low income. There are 122,991, or 15.8 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Amarillo and Lubbock as \$133,100 and \$104,900, respectively.⁹

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 128,520 persons with disabilities residing in the region, which is 16.5 percent of the total region population. In addition, there are 50,862 elderly individuals

without disabilities in the region, which is 6.5 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,¹⁰ but figures vary. According to the 2000 Census, there are 1,068 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 167 homeless persons in Amarillo.

⁹ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

¹⁰ Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

HOUSING SUPPLY

According to 2000 Census data, of the 322,045 housing units in the region, 288,175 are occupied, which is an 89.5 percent occupancy rate. Of the total housing stock, almost 75 percent are one unit; 15.9 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 66.3 percent are owner occupied and 33.7 percent are occupied by renters.

Region 1 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	322,045		3.9%
Total Occupied Housing Units	288,175	89.5%	3.9%
Owner-Occupied Units	191,161	66.3%	4.1%
Renter-Occupied Units	97,014	33.7%	3.6%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 288,273 households in the region, 79,798 owners and renters have housing problems; this represents 27.7 percent of all households.

Region 1 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	29,555	14,026	9,256	5,092	1,181
Lacking Kitchen and/or Plumbing	1,638	553	322	301	88
Overcrowding	9,294	2,037	2,029	2,602	2,626
Owner Households					
Extreme Cost Burden	28,912	8,542	7,021	6,944	6,405
Lacking Kitchen and/or Plumbing	1,154	228	163	224	85
Overcrowding	9,245	897	1,223	2,399	4,726
Total	79,798	26,283	20,014	17,562	15,111

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 35 percent indicated that energy assistance was their first priority need, with 23 percent ranking housing assistance as their priority need. Approximately 21 percent of respondents indicated that the development of apartments was the first priority need, 15 percent indicated that capacity building assistance was their top need, and only 6 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 39 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 43 percent indicated that their community's greatest need was the construction of new rental units, while 5 percent indicated that there was a minimal need for rental development in their areas and 11 percent had no opinion on the subject. When considering energy assistance activities, 41 percent indicated that weatherization and minor home repairs was the greatest need followed by utility assistance with 39 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 1 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	4,834	28.5%	2.6%
HUD Units	3,451	20.4%	3.4%
PHA Units	1,304	7.7%	2.4%
Section 8 Vouchers	5,679	33.5%	3.9%
USDA Units	1,676	9.9%	6.3%
HFC Units*	1,577		
Total	16,944	100%	3.1%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

Housing Analysis

Uniform State Service Regions

REGION 2

Region 2 surrounds the metropolitan areas of Wichita Falls and Abilene, shaded in the figure to the right. According to the 2000 Census, the total population in Region 2 is 549,267, which represents 2.6 percent of the state's total population.

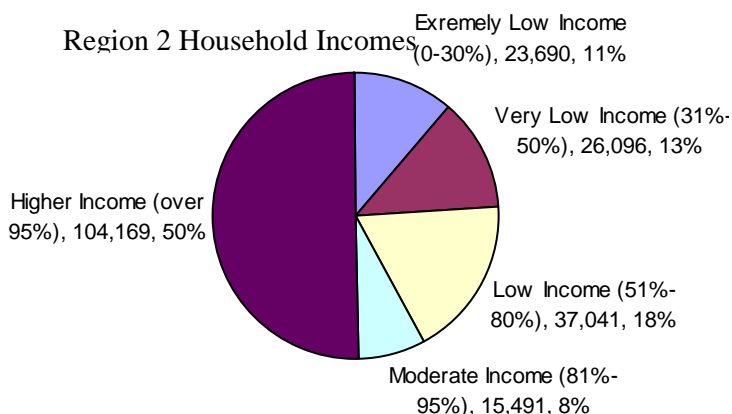
Region 2 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	549,267		2.6%
Persons with Disabilities	105,325	19.2%	2.9%
Elderly Persons (without disabilities)	42,485	7.7%	3.9%
Individuals in Poverty	77,647	14.1%	2.5%

Source: 2000 Census

Approximately 52 percent of the population lives in urban areas of the region.

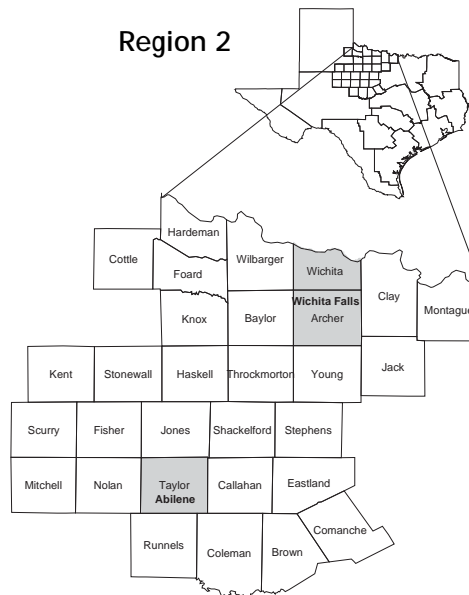
Region 2 Household Incomes



are 105,325 persons with disabilities residing in the region, which is 19.2 percent of the total region population. In addition, there are 42,485 elderly individuals without disabilities in the region, which is 7.7 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,¹² but figures vary. According to the 2000 Census, there are 609 people in noninstitutional group homes, which include shelters, in the region. In a special tabulation on emergency and transitional shelters, the Census did not count any homeless persons in metro areas.

Region 2



The pie chart to the left depicts the income breakdown of the 206,459 households in the region. Approximately 42 percent of households are low income. There are 77,647, or 14.1 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Wichita Falls and Abilene as \$109,300 and \$113,700, respectively.¹¹

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there

¹¹ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

¹² Texas Interagency Council for the Homeless, "Key Facts."

HOUSING SUPPLY

According to 2000 Census data, of the 243,506 housing units in the region, 206,388 are occupied, which is an 84.8 percent occupancy rate. Of the total housing stock, almost 77 percent are one unit; 12 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 69.1 percent are owner occupied and 30.9 percent are occupied by renters.

Region 2 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	243,506		3.0%
Total Occupied Housing Units	206,388	84.8%	2.8%
Owner-Occupied Units	142,603	69.1%	3.0%
Renter-Occupied Units	63,785	30.9%	2.4%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 206,459 households in the region, 49,146 owners and renters have housing problems; this represents 23.8 percent of all households.

Region 2 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	16,557	7,546	5,733	2,699	559
Lacking Kitchen and/or Plumbing	968	330	161	237	71
Overcrowding	3,906	867	694	1,181	1,164
Owner Households					
Extreme Cost Burden	22,471	6,744	5,894	4,902	4,931
Lacking Kitchen and/or Plumbing	919	253	158	170	60
Overcrowding	4,325	411	558	1,159	2,197
Total	49,146	16,151	13,198	10,348	8,982

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 32 percent indicated that energy assistance was their first priority need, with 21 percent ranking housing assistance as their priority need. Approximately 18 percent of respondents indicated that the development of apartments was the first priority need, 18 percent indicated that capacity building assistance was their top need, and 12 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 54 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 40 percent indicated that their community's greatest need was the construction of new rental units, while 7 percent indicated that there was a minimal need for rental development in their areas and 9 percent had no opinion on the subject. When considering energy assistance activities, 47 percent indicated that weatherization and minor home repairs was the greatest need, as 47 percent indicated that utility assistance was the greatest need.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 2 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	3,039	23.4%	1.6%
HUD Units	1,979	15.2%	1.9%
PHA Units	3,026	23.3%	5.5%
Section 8 Vouchers	3,009	23.2%	2.1%
USDA Units	1,925	14.8%	7.3%
HFC Units*	280		
Total	12,978	100.0%	2.5%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

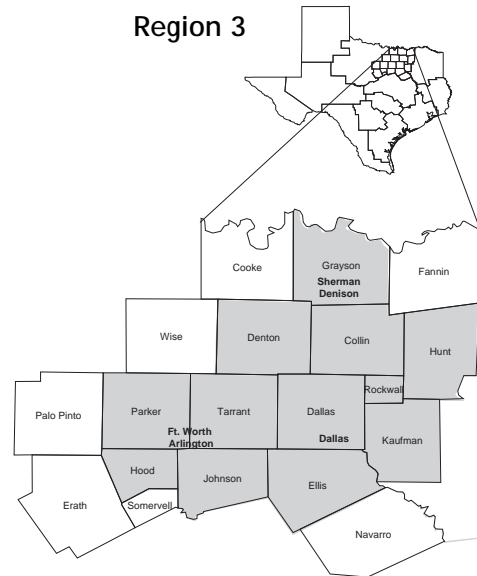
REGION 3

Region 3, including the metropolitan areas of Dallas, Fort Worth, Arlington, Sherman, and Denison, is the state's most populous region. According to the 2000 Census, the total population in Region 3 is 5,487,477, which represents 26.3 percent of the state's total population.

Region 3 Population Figures

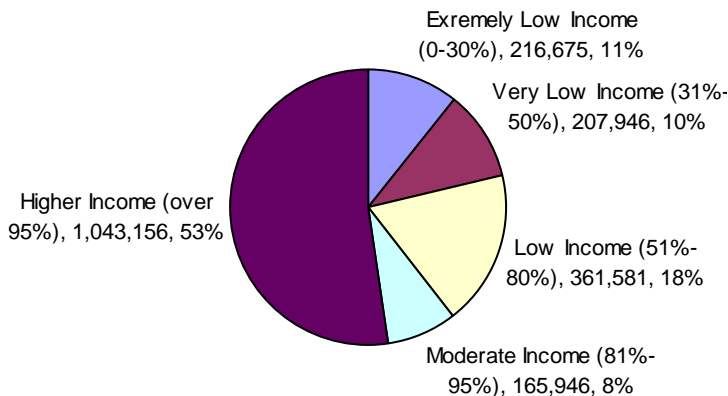
	Region Total	Percent in Region	Region Percent of State
Total Population	5,487,477		26.3%
Persons with Disabilities	888,217	16.2%	24.6%
Elderly Persons (without disabilities)	245,186	4.5%	22.6%
Individuals in Poverty	588,688	10.7%	18.9%

Source: 2000 Census



Approximately 93 percent of the population resides in urban areas.

Region 3 Household Incomes



The pie chart to the left depicts the income breakdown of the 1,988,135 households in the region. Approximately 39 percent of households are low income. There are 588,688, or 10.7 percent, individuals living in poverty in the region.

According to 2007 Multiple Listing Service data, the highest median home price is in Collin County at \$211,600, while the lowest is in Sherman-Denison at \$112,200.¹³

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 888,217 persons with disabilities residing in the region, which is 16.2 percent of the total region population. In addition, there are 245,186 elderly individuals without disabilities in the region, which is 4.5 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,¹⁴ but figures vary. According to the 2000 Census, there are 6,548 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on

¹³ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

¹⁴ Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

emergency and transitional shelters, the Census counted 1,923 homeless persons in Tarrant and Dallas counties.

HOUSING SUPPLY

According to 2000 Census data, of the 2,140,641 housing units in the region, 2,004,826 are occupied, which is a 93.7 percent occupancy rate. Of the total housing stock, almost 64 percent are one unit; 30 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 60.9 percent are owner occupied and 39.1 percent are occupied by renters.

Region 3 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	2,140,641		26.2%
Total Occupied Housing Units	2,004,826	93.7%	27.1%
Owner-Occupied Units	1,220,939	60.9%	25.9%
Renter-Occupied Units	783,887	39.1%	29.3%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 1,988,135 households in the region, 610,655 owners and renters have housing problems; this represents 30.7 percent of all households.

Region 3 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	206,011	78,911	67,156	48,746	11,198
Lacking Kitchen and/or Plumbing	10,144	2,968	2,087	2,247	675
Overcrowding	114,914	26,062	25,691	30,470	32,691
Owner Households					
Extreme Cost Burden	216,038	50,064	41,410	55,310	69,254
Lacking Kitchen and/or Plumbing	6,044	1,373	850	1,214	487
Overcrowding	57,504	5,876	9,070	16,460	26,098
Total	610,655	165,254	146,264	154,447	140,403

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, 50 percent indicated that housing assistance was their first priority need, followed by energy assistance with 35 percent. Approximately 5 percent of respondents indicated that the development of apartments was the first priority need, 8 percent indicated that capacity building assistance was their top need, and only 3 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 52 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 26 percent indicated that the need for construction and rehabilitation was approximately the same, while 19 percent indicated that there was a minimal need for rental development in their areas and 9 percent had no opinion on the subject. When considering energy assistance activities, 39 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 37 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 3 Multifamily Assisted Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	58,600	41.0%	31.2%
HUD Units	28,032	19.6%	27.4%
PHA Units	8,485	5.9%	15.4%
Section 8 Vouchers	43,833	30.6%	30.1%
USDA Units	4,076	2.8%	15.4%
HFC Units*	20,744		
Total	143,026		27.6%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGION 4

Region 4, located in the northeast corner of the state, surrounds the urban areas of Texarkana, Longview-Marshall, and Tyler. According to the 2000 Census, the total population in Region 4 is 1,015,648, which represents 4.9 percent of the state's total population.

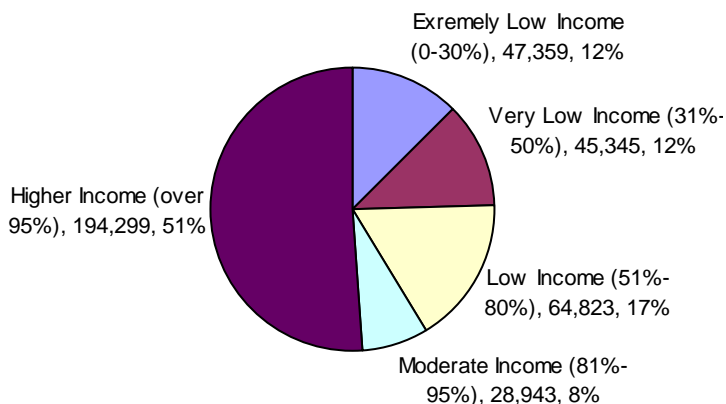
Region 4 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	1,015,648		4.9%
Persons with Disabilities	213,753	21.0%	5.9%
Elderly Persons (without disabilities)	77,528	7.6%	7.1%
Individuals in Poverty	152,036	15.0%	4.9%

Source: 2000 Census

Region 4 has the highest percentage of rural population in the state at 61 percent.

Region 4 Household Incomes



are 213,753 persons with disabilities residing in the region, which is 21.0 percent of the total region population. In addition, there are 77,528 elderly individuals without disabilities in the region, which is 7.6 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,¹⁶ but figures vary. According to the 2000 Census, there are 1,309 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 110 homeless persons in Tyler. Region 4 also experienced damage from Hurricane Rita, which hit the southeast Texas area in September 2005.

¹⁵ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

¹⁶ Texas Interagency Council for the Homeless, "Key Facts."



The pie chart to the left depicts the income breakdown of the 380,765 households in the region. Approximately 41 percent of households are low income. There are 152,036, or 15.0 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Tyler and Longview-Marshall as \$132,800 and \$119,700, respectively.¹⁵

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there

According to FEMA, \$1,037,418.22 worth of damage was reported. Households affected by the hurricane have unexpected needs.

HOUSING SUPPLY

According to 2000 Census data, of the 434,792 housing units in the region, 380,468 are occupied, which is an 87.5 percent occupancy rate. Of the total housing stock, almost 71 percent are one unit; 11 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 73.8 percent are owner occupied and 26.2 percent are occupied by renters.

Region 4 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	434,792		5.3%
Total Occupied Housing Units	380,468	87.5%	5.1%
Owner-Occupied Units	280,896	73.8%	6.0%
Renter-Occupied Units	99,572	26.2%	3.7%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 380,765 households in the region, 100,479 owners and renters have housing problems; this represents 26.4 percent of all households.

Region 4 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	27,100	12,500	9,142	4,443	1,015
Lacking Kitchen and/or Plumbing	2,108	724	425	363	135
Overcrowding	8,851	1,951	1,688	2,215	2,997
Owner Households					
Extreme Cost Burden	49,419	15,258	11,379	11,530	11,152
Lacking Kitchen and/or Plumbing	2,742	775	429	508	187
Overcrowding	10,259	1,233	1,477	2,496	5,053
Total	100,479	32,441	24,540	21,555	20,539

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 43 percent indicated that housing assistance was their first priority need, with 29 percent ranking energy assistance as their priority need. Approximately 17 percent of respondents indicated that the development of apartments was the first priority need, 11 percent indicated that capacity building assistance was their top need, and 0 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 53 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 34 percent indicated that the need for construction and rehabilitation was the same, while 11 percent indicated that there was a minimal need for rental development in their areas and 11 percent had no opinion on the subject. When considering energy assistance activities, 41 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 40 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 4 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	5,367	25.5%	2.9%
HUD Units	3,577	17.0%	3.5%
PHA Units	2,252	10.7%	4.1%
Section 8 Vouchers	5,988	28.4%	4.1%
USDA Units	3,872	18.4%	14.6%
HFC Units*	1,160		
Total	21,056		4.1%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

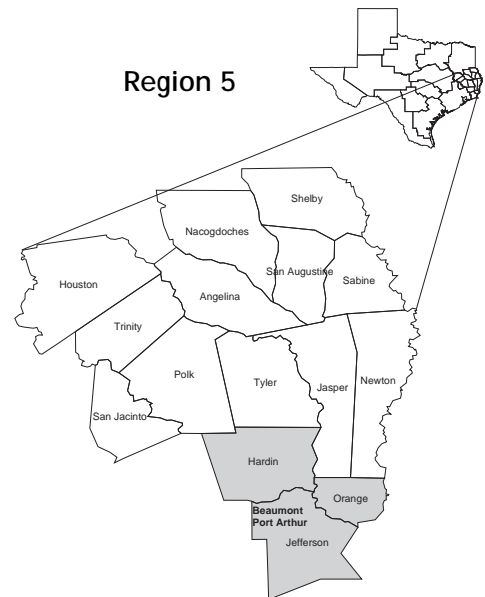
REGION 5

Region 5 encompasses a 15-county area in east Texas including the urban areas of Beaumont and Port Arthur. According to the 2000 Census, the total population in Region 5 is 740,952, which represents 3.6 percent of the state's total population.

Region 5 Population Figures

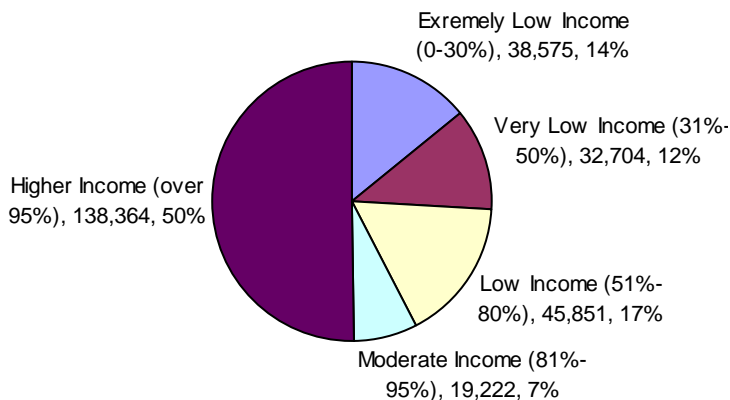
	Region Total	Percent in Region	Region Percent of State
Total Population	740,952		3.6%
Persons with Disabilities	150,529	20.3%	4.2%
Elderly Persons (without disabilities)	53,148	7.2%	4.9%
Individuals in Poverty	120,585	16.3%	3.9%

Source: 2000 Census



The population in Region 5 is split, with 50 percent living in urban and 50 percent living in rural areas.

Region 5 Household Incomes



The pie chart to the left depicts the income breakdown of the 274,543 households in the region. Approximately 43 percent of households are low income. There are 120,585, or 16.3 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Beaumont and Port Arthur as \$130,900 and \$112,700, respectively.¹⁷

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 150,529 persons with disabilities residing in the region, which is 20.3 percent of the total region population. In addition, there are 53,148 elderly individuals without disabilities in the region, which is 7.2 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,¹⁸ but figures vary. According to the 2000 Census, there are 672 people in noninstitutional group homes, which include shelters, in the region. In its tabulation on emergency and transitional shelters, the Census did not count homeless persons in metropolitan areas.

¹⁷ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

¹⁸ Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

Region 5 also experienced significant damage from Hurricane Rita, which hit the southeast Texas area in September 2005. According to FEMA, \$190,251,194.22 worth of damage was reported. Households affected by the hurricane have unexpected needs.

HOUSING SUPPLY

According to 2000 Census data, of the 325,047 housing units in the region, 275,233 are occupied, which is an 84.7 percent occupancy rate. Of the total housing stock, 69.3 percent are one unit; 11 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 73.4 percent are owner occupied and 26.6 percent are occupied by renters.

Region 5 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	325,047		4.0%
Total Occupied Housing Units	275,233	84.7%	3.7%
Owner-Occupied Units	201,971	73.4%	4.3%
Renter-Occupied Units	73,262	26.6%	2.7%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 274,543 households in the region, 72,650 owners and renters have housing problems; this represents 26.5 percent of all households.

Region 5 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	21,116	10,733	6,894	2,890	599
Lacking Kitchen and/or Plumbing	1,450	549	300	270	76
Overcrowding	6,868	1,988	1,246	1,477	2,157
Owner Households					
Extreme Cost Burden	32,849	11,845	7,609	7,044	6,351
Lacking Kitchen and/or Plumbing	1,876	555	250	367	90
Overcrowding	8,491	925	970	1,991	4,605
Total	72,650	26,595	17,269	14,039	13,878

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 59 percent indicated that housing assistance was their first priority need, and 10 percent ranking energy assistance as their priority need. Approximately 14 percent of respondents indicated that the development of apartments was the first priority need, 10 percent indicated that capacity building assistance was their top need, and 7 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 49 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 54 percent indicated that the need for construction and rehabilitation is the same, while 3 percent indicated that there was a minimal need for rental development in their areas. When considering energy assistance activities, 44 percent indicated that utility assistance was the greatest need followed

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 5 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	5,289	25.4%	2.8%
HUD Units	4,134	19.8%	4.0%
PHA Units	2,368	11.4%	4.3%
Section 8 Vouchers	7,598	36.5%	5.2%
USDA Units	1,443	6.9%	5.5%
HFC Units*	1,160		
Total	20,832	100.0%	4.0%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

Housing Analysis

Uniform State Service Regions

REGION 6

Region 6 includes the urban areas of Houston, Brazoria, and Galveston. According to the 2000 Census, the total population in Region 6 is 4,854,454, which represents 23.3 percent of the state's total population.

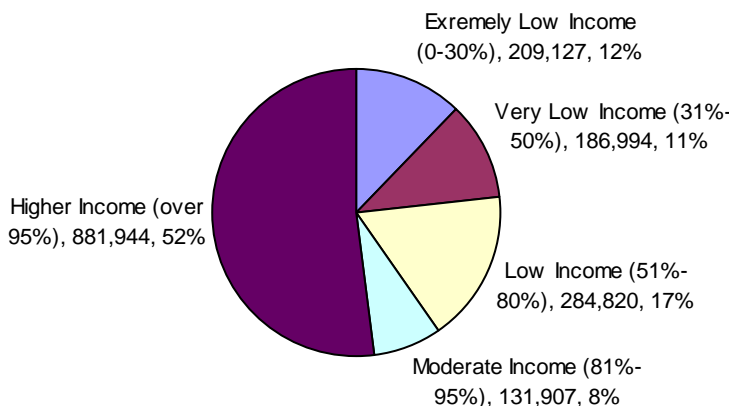
Region 6 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	4,854,454		23.3%
Persons with Disabilities	801,436	16.5%	22.2%
Elderly Persons (without disabilities)	206,438	4.3%	19.0%
Individuals in Poverty	656,239	13.5%	21.0%

Source: 2000 Census

Approximately 92 percent of the populations lives in the urban areas of Region 6.

Region 6 Household Income



The pie chart to the left depicts the income breakdown of the 1,691,811 households in the region. Approximately 40 percent of households are low income. There are 656,239, or 13.5 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Houston and Galveston as \$157,000 and \$182,200, respectively.¹⁹

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 801,436 persons with disabilities residing in the region, which is 16.3 percent of the total region population. In addition, there are 206,438 elderly individuals without disabilities in the region, which is 4.3 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,²⁰ but figures vary. According to the 2000 Census, there are 7,792 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 1,756 homeless persons in the Houston area. Region 6 also experienced damage from Hurricane Rita, which hit the southeast Texas area in September

¹⁹ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

²⁰ Texas Interagency Council for the Homeless, "Key Facts."

2005. According to FEMA, \$28,325,647.98 worth of damage was reported. Households affected by the hurricane have unexpected needs.

HOUSING SUPPLY

According to 2000 Census data, of the 1,853,854 housing units in the region, 1,702,792 are occupied, which is a 91.9 percent occupancy rate. Of the total housing stock, 71 percent are one unit; 18 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 60.9 percent are owner occupied and 39.1 percent are occupied by renters.

Region 6 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	1,853,854		22.7%
Total Occupied Housing Units	1,702,792	91.9%	23.0%
Owner-Occupied Units	1,037,371	60.9%	22.0%
Renter-Occupied Units	665,421	39.1%	24.9%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 1,691,811 households in the region, 541,869 owners and renters have housing problems; this represents 32.0 percent of all households.

Region 6 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	168,355	71,699	55,967	31,103	9,586
Lacking Kitchen and/or Plumbing	9,614	3,228	1,892	2,034	492
Overcrowding	117,586	29,482	27,886	30,141	30,077
Owner Households					
Extreme Cost Burden	173,411	44,640	34,996	42,008	51,767
Lacking Kitchen and/or Plumbing	6,691	1,650	983	1,279	410
Overcrowding	66,212	7,391	10,243	18,303	23,006
Total	541,869	158,090	131,967	124,868	115,338

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 70 percent indicated that housing assistance was their first priority need, with 9 percent ranking energy assistance as their priority need. Approximately 14 percent of respondents indicated that the development of apartments was the first priority need, 9 percent indicated that capacity building assistance was their top need, and 0 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 46 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 31 percent indicated that the need for construction and rehabilitation was the same, while 21 percent indicated that there was a minimal need for rental development in their areas and 12 percent had no opinion on the subject. When considering energy assistance activities, 49 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 36 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 6 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	51,528	47.1%	27.4%
HUD Units	27,284	25.0%	26.7%
PHA Units	5,138	4.7%	9.3%
Section 8 Vouchers	21,884	20.0%	15.0%
USDA Units	3,484	3.2%	13.2%
HFC Units*	38,122		
Total	109,318	100.0%	21.1%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

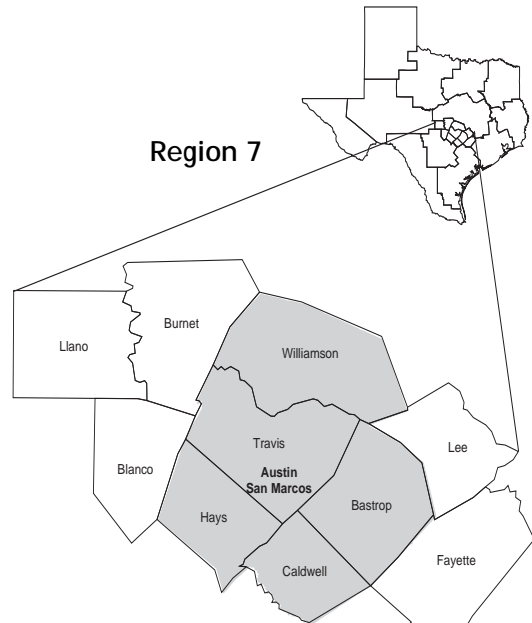
REGION 7

The urban area of Austin-San Marcos is at the center of Region 7. According to the 2000 Census, the total population in Region 7 is 1,346,833, which represents 6.5 percent of the state's total population.

Region 7 Population Figures

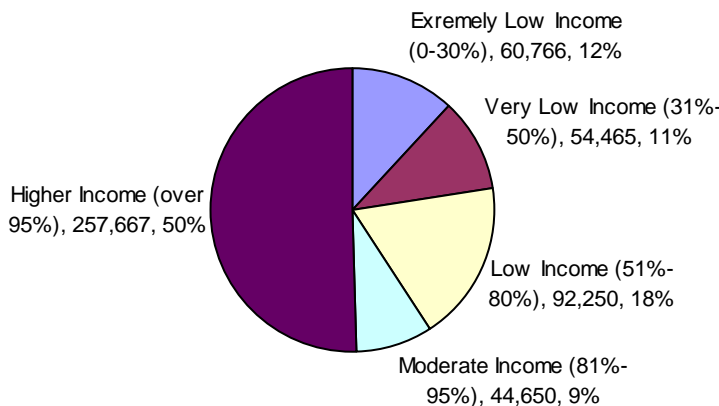
	Region Total	Percent in Region	Region Percent of State
Total Population	1,346,833		6.5%
Persons with Disabilities	190,226	14.1%	5.3%
Elderly Persons (without disabilities)	61,229	4.5%	5.6%
Individuals in Poverty	145,060	10.8%	4.7%

Source: 2000 Census



Approximately 86 percent of the population lives in urban areas.

Region 7 Household Income



The pie chart to the left depicts the income breakdown of the 509,798 households in the region. Approximately 41 percent of households are low income. There are 145,060, or 10.8 percent, individuals living in poverty in the region. The 2007 Multiple Listing Service median home price for Austin is \$190,800.²¹

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 190,226 persons with disabilities residing in the region, which is 14.1 percent of the total region population.

In addition, there are 61,229 elderly individuals without disabilities in the region, which is 4.5 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,²² but figures vary. According to the 2000 Census, there are 2,354 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 481 homeless persons in Austin.

HOUSING SUPPLY

²¹ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

²² Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

According to 2000 Census data, of the 545,761 housing units in the region, 510,555 are occupied, which is a 93.5 percent occupancy rate. Of the total housing stock, 62 percent are one unit; 30 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 59.8 percent are owner occupied and 40.2 percent are occupied by renters.

Region 7 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	545,761		6.7%
Total Occupied Housing Units	510,555	93.5%	6.9%
Owner-Occupied Units	305,294	59.8%	6.5%
Renter-Occupied Units	205,261	40.2%	7.7%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 509,798 households in the region, 164,537 owners and renters have housing problems; this represents 32.3 percent of all households.

Region 7 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	68,118	27,648	21,497	15,700	3,273
Lacking Kitchen and/or Plumbing	2,869	1,170	562	565	185
Overcrowding	22,581	5,433	5,070	5,645	6,433
Owner Households					
Extreme Cost Burden	56,638	11,452	10,018	16,282	18,884
Lacking Kitchen and/or Plumbing	2,013	519	291	423	110
Overcrowding	12,318	1,023	2,055	3,503	5,719
Total	164,537	47,245	39,493	42,118	34,604

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 32 percent indicated that the development of apartments was their first priority need, with 27 percent ranking housing assistance as their priority need. Approximately 14 percent of respondents indicated that energy assistance was the first priority need, 27 percent indicated that capacity building assistance was their top need, and 0 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 34 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 45 percent indicated that their community's greatest need was the construction of new rental units, while 14 percent indicated that there was a minimal need for rental development in their areas. When considering energy assistance activities, 38 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 34 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 7 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	16,398	47.6%	8.7%
HUD Units	5,032	14.6%	4.9%
PHA Units	3,506	10.2%	6.4%
Section 8 Vouchers	8,053	23.4%	5.5%
USDA Units	1,477	4.3%	5.6%
HFC Units*	8,276		
Total	34,466	100.0%	6.7%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

Housing Analysis

Uniform State Service Regions

REGION 8

Region 8, located in the center of the state, surrounds the urban areas of Waco, Bryan, College Station, Killeen, and Temple. According to the 2000 Census, the total population in Region 8 is 963,139 which represents 4.6 percent of the state's total population.

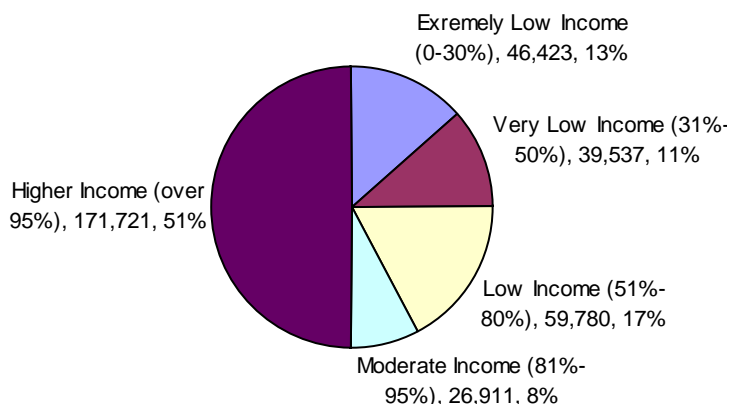
Region 8 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	963,139		4.6%
Persons with Disabilities	160,743	16.7%	4.5%
Elderly Persons (without disabilities)	55,854	5.8%	5.1%
Individuals in Poverty	149,480	15.5%	4.8%

Source: 2000 Census

Approximately 75 percent of the population lives in the urban areas of Region 8.

Region 8 Household Income



The pie chart to the left depicts the income breakdown of the 343,856 households in the region. Approximately 41 percent of households are low income. There are 149,480, or 15.5 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home price for Bryan-College Station as \$144,800.²³

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 160,743 persons with disabilities residing in the region, which is 16.7 percent of the total region population. In addition, there are 55,854 elderly individuals without disabilities in the region, which is 5.8 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,²⁴ but figures vary. According to the 2000 Census, there are 1,003 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 129 homeless persons in the Killeen area.

²³ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

²⁴ Texas Interagency Council for the Homeless, "Key Facts."

HOUSING SUPPLY

According to 2000 Census data, of the 387,627 housing units in the region, 344,575 are occupied, which is an 88.9 percent occupancy rate. Of the total housing stock, 67 percent are one unit; 20 percent are over two units; and the rest are mobile homes, boats, and RVs. Approximately 61.2 percent are owner occupied and 38.8 percent are occupied by renters.

Region 8 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	387,627		4.8%
Total Occupied Housing Units	344,575	88.9%	4.7%
Owner-Occupied Units	210,882	61.2%	4.5%
Renter-Occupied Units	133,693	38.8%	5.0%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 343,856 households in the region, 103,864 owners and renters have housing problems; this represents 30.2 percent of all households.

Region 8 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	42,797	20,028	12,657	8,285	1,826
Lacking Kitchen and/or Plumbing	1,831	601	354	355	92
Overcrowding	12,409	2,903	2,232	3,502	3,772
Owner Households					
Extreme Cost Burden	36,129	9,754	7,763	9,069	9,543
Lacking Kitchen and/or Plumbing	1,798	477	346	331	112
Overcrowding	8,900	741	1,055	2,293	4,811
Total	103,864	34,504	24,407	23,835	20,156

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 26 percent indicated that housing assistance was their first priority need, with 22 percent ranking energy assistance as their priority need. Approximately 19 percent of respondents indicated that the development of apartments was the first priority need, 22 percent indicated that capacity building assistance was their top need, and 11 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 48 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 40 percent indicated that their community's greatest need was the construction of new rental units, while 20 percent indicated that there was a minimal need for rental development in their areas and 9 percent had no opinion on the subject. When considering energy assistance activities, 60 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 34 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 8 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	5,906	25.3%	3.1%
HUD Units	4,178	17.9%	4.1%
PHA Units	2,780	11.9%	5.0%
Section 8 Vouchers	7,621	32.7%	5.2%
USDA Units	2,820	12.1%	10.7%
HFC Units*	304		
Total	23,305		4.5%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGION 9

San Antonio is the main metropolitan area in Region 9. According to the 2000 Census, the total population in Region 9 is 1,807,868, which represents 8.7 percent of the state's total population.

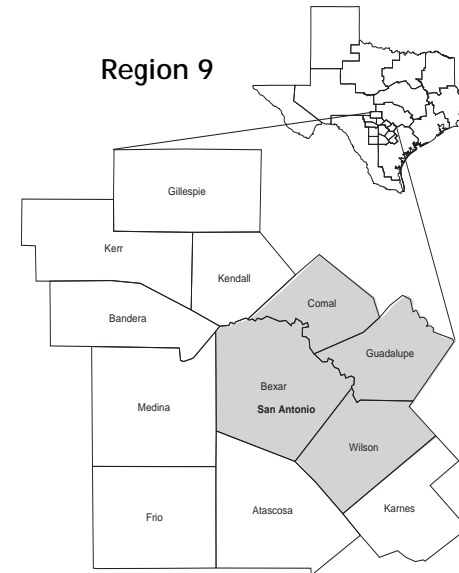
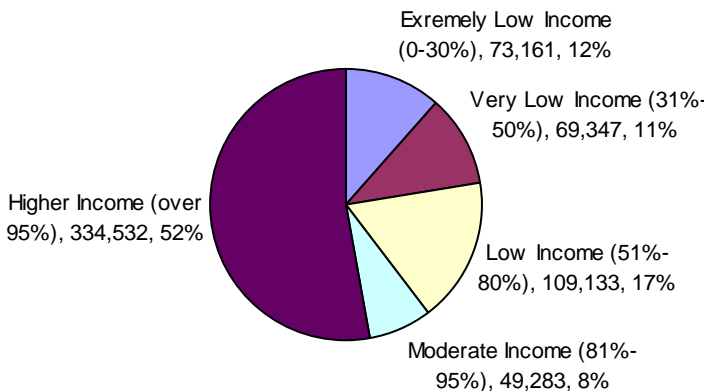
Region 9 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	1,807,868		8.7%
Persons with Disabilities	337,541	18.7%	9.4%
Elderly Persons (without disabilities)	107,974	6.0%	9.9%
Individuals in Poverty	267,118	14.8%	8.6%

Source: 2000 Census

Approximately 89 percent of the population lives in urban areas.

Region 9 Household Income



The pie chart to the left depicts the income breakdown of the 635,280 households in the region. Approximately 40 percent of households are low income. There are 267,118, or 14.8 percent, individuals living in poverty in the region. The 2007 Multiple Listing Service records the median home price for San Antonio as \$154,200.²⁵

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 337,541 persons with disabilities residing in the region, which is 18.7 percent of the total region population. In addition, there are 107,974 elderly individuals without disabilities in the region, which is 6.0 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,²⁶ but figures vary. According to the 2000 Census, there are 2,919 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 850 homeless persons in San Antonio.

²⁵ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 31, 2006).

²⁶ Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

HOUSING SUPPLY

According to 2000 Census data, of the 689,862 housing units in the region, 636,796 are occupied, which is a 92.3 percent occupancy rate. Of the total housing stock, 69 percent are one unit; 22 percent are over two units; 8 percent are mobile homes; and the rest are boats and RVs. Approximately 65.0 percent are owner occupied and 35.0 percent are occupied by renters.

Region 9 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	689,862		8.5%
Total Occupied Housing Units	636,796	92.3%	8.6%
Owner-Occupied Units	414,009	65.0%	8.8%
Renter-Occupied Units	222,787	35.0%	8.3%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 635,280 households in the region, 194,512 owners and renters have housing problems; this represents 30.6 percent of all households.

Region 9 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	62,012	24,095	19,495	14,458	3,964
Lacking Kitchen and/or Plumbing	3,284	1,137	484	751	241
Overcrowding	28,877	7,296	6,160	7,359	8,062
Owner Households					
Extreme Cost Burden	71,630	17,316	14,240	17,201	22,873
Lacking Kitchen and/or Plumbing	3,270	713	667	624	297
Overcrowding	25,439	2,644	4,107	6,555	12,133
Total	194,512	53,201	45,153	46,948	47,570

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 67 percent indicated that housing assistance was their first priority need, with 20 percent ranking energy assistance as their top need. Approximately 7 percent of respondents indicated that the development of apartments was the first priority need, 0 percent indicated that capacity building assistance was their top need, and 7 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 53 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 34 percent indicated that the need for construction and rehabilitation was the same, while 18 percent indicated that there was a minimal need for rental development in their areas and 18 percent had no opinion on the subject. When considering energy assistance activities, 41 percent indicated that weatherization and minor home repairs was the greatest need followed by utility assistance with 29 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 9 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	15,455	30.3%	8.2%
HUD Units	12,080	23.7%	11.8%
PHA Units	7,458	14.6%	13.5%
Section 8 Vouchers	15,046	29.5%	10.3%
USDA Units	1,007	2.0%	3.8%
HFC Units*	22,382		
Total	51,046	100.0%	9.9%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGION 10

Region 10, including the urban areas of Corpus Christi and Victoria, is located in the south eastern part of the state on the Gulf of Mexico. According to the 2000 Census, the total population in Region 10 is 732,917, which represents 3.5 percent of the state's total population.

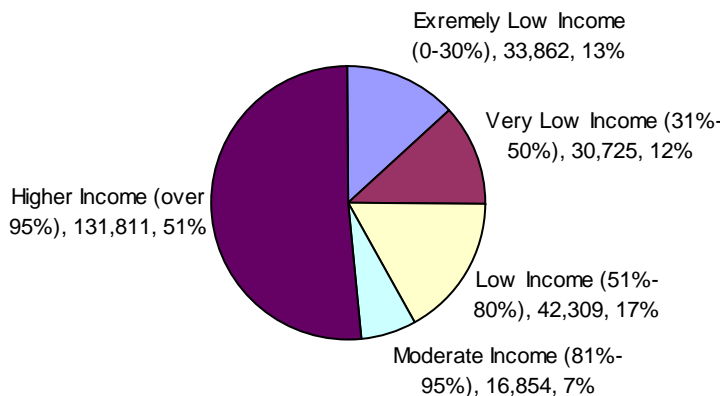
Region 10 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	732,917		3.5%
Persons with Disabilities	141,592	19.3%	3.9%
Elderly Persons (without disabilities)	46,900	6.4%	4.3%
Individuals in Poverty	132,214	18.0%	4.2%

Source: 2000 Census

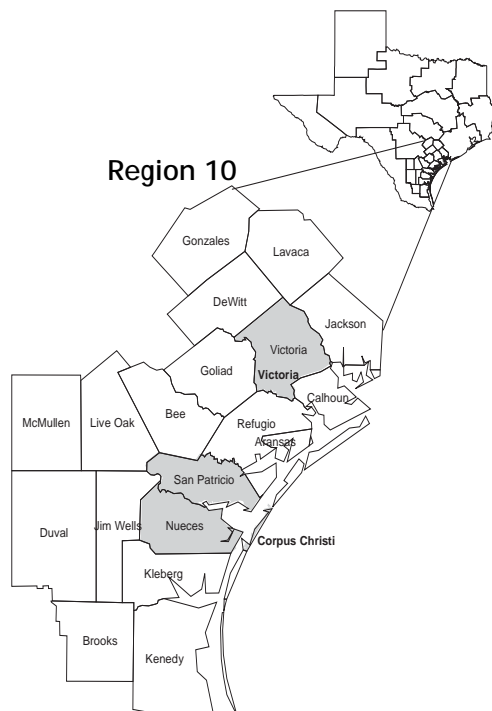
In Region 10, 62 percent live in urban areas.

Region 10 Household Income



percent of the total region population. In addition, there are 46,900 elderly individuals without disabilities in the region, which is 6.4 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,²⁸ but figures vary. According to the 2000 Census, there are 1,456 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 272 homeless persons in Corpus Christi.



The pie chart to the left depicts the income breakdown of the 255,493 households in the region. Approximately 42 percent of households are low income. There are 132,214, or 18.0 percent, individuals living in poverty in the region. The 2007 Multiple Listing Service records the median home price for Corpus Christi as \$147,800.²⁷

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 141,592 persons with disabilities residing in the region, which is 19.3

²⁷ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

²⁸ Texas Interagency Council for the Homeless, "Key Facts."

HOUSING SUPPLY

According to 2000 Census data, of the 298,494 housing units in the region, 256,428 are occupied, which is an 85.9 percent occupancy rate. Of the total housing stock, 71 percent are one unit; 18 percent are over two units; 10 percent are mobile homes; and the rest are boats and RVs. Approximately 66.8 percent are owner occupied and 33.2 percent are occupied by renters.

Region 10 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	298,494		3.7%
Total Occupied Housing Units	256,428	85.9%	3.5%
Owner-Occupied Units	171,319	66.8%	3.6%
Renter-Occupied Units	85,109	33.2%	3.2%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 255,493 households in the region, 76,196 owners and renters have housing problems; this represents 29.8 percent of all households.

Region 10 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	23,006	9,258	7,433	4,896	1,419
Lacking Kitchen and/or Plumbing	1,497	513	234	355	62
Overcrowding	10,429	3,082	2,112	2,289	2,946
Owner Households					
Extreme Cost Burden	28,552	8,706	6,387	6,181	7,278
Lacking Kitchen and/or Plumbing	1,783	588	407	323	66
Overcrowding	10,929	1,235	1,563	2,421	5,710
Total	76,196	23,382	18,136	16,465	17,481

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 40 percent indicated that housing assistance was their first priority need, with 15 percent ranking energy assistance as their priority need. Approximately 15 percent of respondents indicated that the development of apartments was the first priority need, 30 percent indicated that capacity building assistance was their top need, and 0 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 81 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 41 percent indicated that their community's greatest need was the construction of new rental units, while 18 percent indicated that there was a minimal need for rental development in their areas. When considering energy assistance activities, 54 percent indicated that weatherization and minor home repairs was the greatest need followed by utility assistance with 36 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

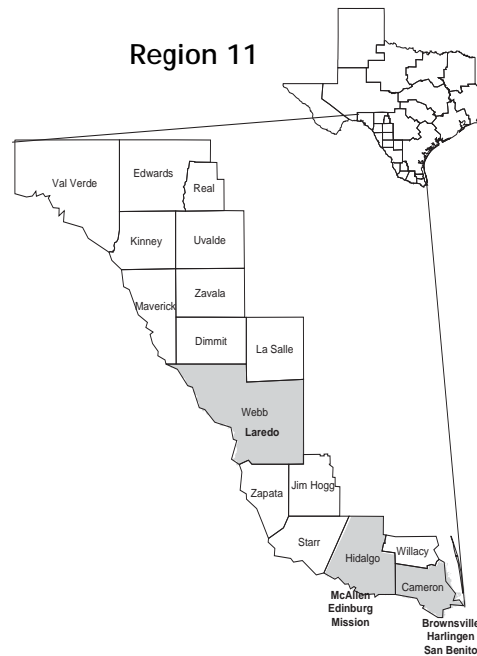
Region 10 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	4,718	24.8%	2.5%
HUD Units	4,236	22.3%	4.1%
PHA Units	4,459	23.5%	8.1%
Section 8 Vouchers	3,977	20.9%	2.7%
USDA Units	1,619	8.5%	6.1%
HFC Units*	968		
Total	19,009	100.0%	3.7%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGION 11

Region 11 is a 16-county area along the border of Mexico. The main urban areas in the region are Brownsville-Harlingen, McAllen-Edinburg, Del Rio, and Laredo. According to the 2000 Census, the total population in Region 11 is 1,343,330, which represents 6.4 percent of the state's total population.



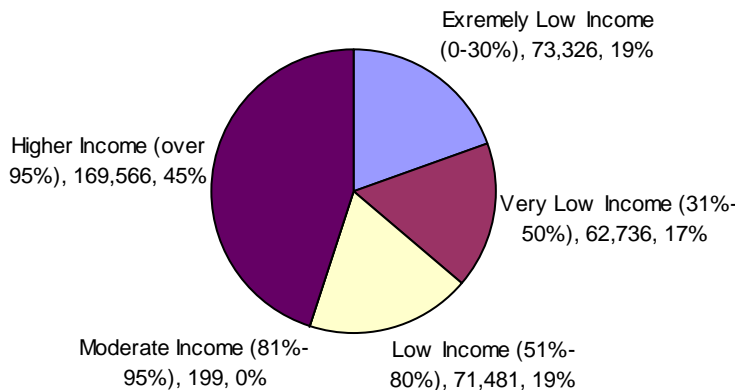
Region 11 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	1,343,330		6.4%
Persons with Disabilities	257,838	19.2%	7.2%
Elderly Persons (without disabilities)	67,505	5.0%	6.2%
Individuals in Poverty	455,366	33.9%	14.6%

Source: 2000 Census

About 68 percent of the population lives in urban areas.

Region 11 Household Income



The pie chart to the left depicts the income breakdown of the 377,276 households in the region. Approximately 55 percent of households are low income.²⁹ There are 455,366, or 33.9 percent, individuals living in poverty in the region. 2007 Multiple Listing Service data records the median home prices for Brownsville as \$131,400 and McAllen as \$124,200.³⁰

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 257,838 persons with disabilities residing in the region, which is 19.2 percent of the total region population. In addition, there are 67,505 elderly individuals without disabilities in the region, which is 5.0 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are

²⁹ The CHAS figures for moderate and higher income households in Region 11 indicate that there are only 199 persons with incomes between 80-95 percent of the AMFI. TDHCA has been unable to get more accurate information for this segment of the population. However, the planning impact for the SLIHP is relatively low because, except for the first time homebuyer program which is done through a network of participating lenders, TDHCA programs serve persons below 80 percent AMFI.

³⁰ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

Housing Analysis

Uniform State Service Regions

200,000 homeless individuals in Texas,³¹ but figures vary. According to the 2000 Census, there are 1,211 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 193 homeless persons in Laredo.

HOUSING SUPPLY

According to 2000 Census data, of the 457,406 housing units in the region, 378,275 are occupied, which is an 82.7 percent occupancy rate. Of the total housing stock, 66 percent are one unit; 14 percent are over two units; 18 percent are mobile homes; and the rest are boats and RVs. Approximately 70.8 percent are owner occupied and 29.2 percent are occupied by renters.

Region 11 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	457,406		5.6%
Total Occupied Housing Units	378,275	82.7%	5.1%
Owner-Occupied Units	267,716	70.8%	5.7%
Renter-Occupied Units	110,559	29.2%	4.1%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 377,276 households in the region, 161,609 owners and renters have housing problems; this represents 42.8 percent of all households.

Region 11 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	25,023	13,381	7,343	3,335	964
Lacking Kitchen and/or Plumbing	4,751	2,474	1,099	636	0
Overcrowding	31,457	11,542	7,321	6,233	6,361
Owner Households					
Extreme Cost Burden	43,599	15,558	10,747	8,961	8,333
Lacking Kitchen and/or Plumbing	8,043	3,043	2,045	1,585	0
Overcrowding	48,736	8,375	9,672	12,299	18,390
Total	161,609	54,373	38,227	33,049	34,048

Source: 2000 CHAS

³¹ Texas Interagency Council for the Homeless, "Key Facts."

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 40 percent indicated that housing assistance was their first priority need, with 10 percent ranking energy assistance as their priority need. Approximately 20 percent of respondents indicated that the development of apartments was the first priority need, 20 percent indicated that capacity building assistance was their top need, and 10 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 46 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 50 percent indicated that the need for construction and rehabilitation was the same, while 0 percent indicated that there was a minimal need for rental development in their areas. When considering energy assistance activities, 59 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 29 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 11 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	9,202	25.6%	4.9%
HUD Units	4,208	11.7%	4.1%
PHA Units	6,949	19.3%	12.6%
Section 8 Vouchers	13,553	37.7%	9.3%
USDA Units	2,003	5.6%	7.6%
HFC Units*	312		
Total	35,915		6.9%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

Housing Analysis

Uniform State Service Regions

REGION 12

Region 12 in west Texas surrounds the urban areas of Odessa-Midland and San Angelo. According to the 2000 Census, the total population in Region 12 is 524,884, which represents 2.5 percent of the state's total population.

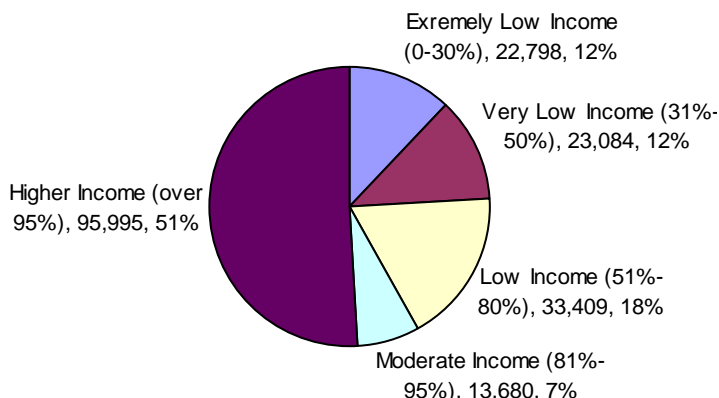
Region 12 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	524,884		2.5%
Persons with Disabilities	91,822	17.5%	2.5%
Elderly Persons (without disabilities)	35,764	6.8%	3.3%
Individuals in Poverty	85,063	16.2%	2.7%

Source: 2000 Census

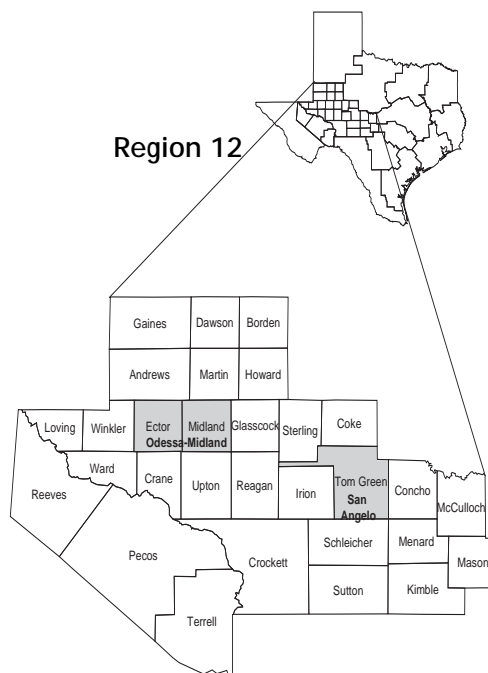
Approximately 68 percent of the population lives in urban areas.

Region 12 Household Income



which is 17.5 percent of the total region population. In addition, there are 35,764 elderly individuals without disabilities in the region, which is 6.8 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,³³ but figures vary. According to the 2000 Census, there are 414 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census did not count any homeless people in metropolitan areas.



The pie chart to the left depicts the income breakdown of the 188,921 households in the region. Approximately 42 percent of households are low income. There are 85,063, or 16.2 percent, individuals living in poverty in the region. Multiple Listing Service data records the median home prices for Odessa-Midland as \$145,000.³²

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 91,822 persons with disabilities residing in the region,

³² Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

³³ Texas Interagency Council for the Homeless, "Key Facts."

HOUSING SUPPLY

According to 2000 Census data, of the 221,968 housing units in the region, 189,582 are occupied, which is an 85.4 percent occupancy rate. Of the total housing stock, 72 percent are one unit; 16 percent are over two units; 12 percent are mobile homes; and the rest are boats and RVs. Approximately 70.1 percent are owner occupied and 29.9 percent are occupied by renters.

Region 12 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	221,968		2.7%
Total Occupied Housing Units	189,582	85.4%	2.6%
Owner-Occupied Units	132,956	70.1%	2.8%
Renter-Occupied Units	56,626	29.9%	2.1%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 188,921 households in the region, 49,895 owners and renters have housing problems; this represents 26.4 percent of all households.

Region 12 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	14,243	6,874	4,782	2,151	436
Lacking Kitchen and/or Plumbing	1,103	355	253	204	24
Overcrowding	5,372	1,392	983	1,364	1,633
Owner Households					
Extreme Cost Burden	20,719	6,228	5,142	4,727	4,622
Lacking Kitchen and/or Plumbing	1,138	265	223	264	64
Overcrowding	7,320	752	1,186	2,243	3,139
Total	49,895	15,866	12,569	10,953	9,918

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 45 percent indicated that housing assistance was their first priority need, with 9 percent ranking energy assistance as their priority need. Approximately 27 percent of respondents indicated that the development of apartments was the first priority need, 9 percent indicated that capacity building assistance was their top need, and 9 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 50 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 42 percent indicated that their community's greatest need was the construction of new rental units, while 17 percent indicated that there was a minimal need for rental development in their areas and 4 percent had no opinion on the subject. When considering energy assistance activities, 46 percent indicated that utility assistance was the greatest need followed by weatherization and minor home repairs with 42 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see "Assisted Housing Inventory" under "State of Texas" in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 12 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	3,269	32.8%	1.7%
HUD Units	1,763	17.7%	1.7%
PHA Units	1,145	11.5%	2.1%
Section 8 Vouchers	3,058	30.7%	2.1%
USDA Units	735	7.4%	2.8%
HFC Units*	24		
Total	9,970	100.0%	1.9%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGION 13

El Paso is the main urban area in Region 13. The region spreads along the Texas-Mexico border in the southwestern tip of the state. According to the 2000 Census, the total population in Region 13 is 524,884, which represents 2.5 percent of the state's total population.

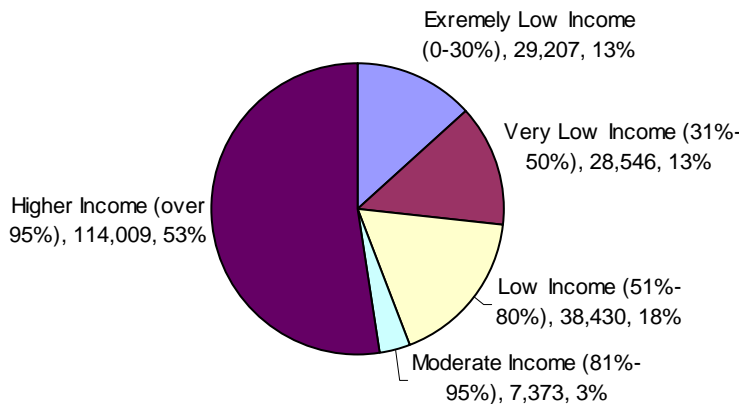
Region 13 Population Figures

	Region Total	Percent in Region	Region Percent of State
Total Population	704,318		3.4%
Persons with Disabilities	128,000	18.2%	3.6%
Elderly Persons (without disabilities)	35,421	5.0%	3.3%
Individuals in Poverty	165,122	23.4%	5.3%

Source: 2000 Census

Approximately 92 percent of the region population lives in the urban area of El Paso.

Region 13 Household Income



The pie chart to the left depicts the income breakdown of the 216,861 households in the region. Approximately 44 percent of households are low income. There are 165,122, or 23.4 percent, individuals living in poverty in the region. The 2007 Multiple Listing Service data records the median home price for El Paso as \$138,900.³⁴

SPECIAL NEEDS POPULATIONS

According to 2000 Census data, there are 128,000 persons with disabilities residing in the region, which is 18.2 percent of the total region population. In addition, there are 35,421 elderly individuals without disabilities in the region, which is 5.0 percent of the region.

Data on the number of homeless individuals in the region is difficult to collect because of the migratory nature of this population. The Texas Interagency Council for the Homeless estimates that there are 200,000 homeless individuals in Texas,³⁵ but figures vary. According to the 2000 Census, there are 1,022 people in noninstitutional group homes, which include shelters, in the region. In its special tabulation on emergency and transitional shelters, the Census counted 356 homeless people in El Paso.



³⁴ Real Estate Center at Texas A&M University, "Texas Residential MLS Activity," <http://recenter.tamu.edu/data/hs/trends4.html> (accessed October 16, 2007).

³⁵ Texas Interagency Council for the Homeless, "Key Facts."

Housing Analysis

Uniform State Service Regions

HOUSING SUPPLY

According to 2000 Census data, of the 236,572 housing units in the region, 219,261 are occupied, which is a 92.7 percent occupancy rate. Of the total housing stock, 68 percent are one unit; 23 percent are over two units; 8 percent are mobile homes; and the rest are boats and RVs. Approximately 63.8 percent are owner occupied and 36.2 percent are occupied by renters.

Region 13 Housing Units by Occupation

	Region Total	Percent in Region	Region Percent of State
Total Housing Units	236,572		2.9%
Total Occupied Housing Units	219,261	92.7%	3.0%
Owner-Occupied Units	139,842	63.8%	3.0%
Renter-Occupied Units	79,419	36.2%	3.0%

Source: 2000 Census

HOUSING NEED

The housing need indicators analyzed in this section include housing cost burden, substandard housing conditions, and housing overcrowding for renter and owner households. The following information comes from the 2000 CHAS database. Of the total 216,861 households in the region, 81,248 owners and renters have housing problems; this represents 37.5 percent of all households.

Region 13 Households with Housing Problems

	Region Total	Extremely Low Income (0-30%)	Very Low Income (31-50%)	Low Income (51-80%)	Higher Incomes (81% and up)
Renter Households					
Extreme Cost Burden	22,151	8,941	7,159	4,652	1,399
Lacking Kitchen and/or Plumbing	1,679	470	539	297	24
Overcrowding	15,170	4,214	3,728	3,575	3,653
Owner Households					
Extreme Cost Burden	26,451	6,254	5,872	7,268	7,057
Lacking Kitchen and/or Plumbing	1,879	366	411	523	84
Overcrowding	13,918	1,296	2,037	3,263	7,322
Total	81,248	32,497	19,746	19,578	19,539

Source: 2000 CHAS

REGIONAL INPUT ON HOUSING NEEDS

Of respondents ranking their community's need for general assistance in the 2006 CNS, approximately 47 percent indicated that housing assistance was their first priority need, with 0 percent ranking energy assistance as their priority need. Approximately 20 percent of respondents indicated that the development of apartments was the first priority need, 13 percent indicated that capacity building assistance was their top need, and 20 percent indicated that homeless assistance was the top need.

In terms of housing assistance, 41 percent indicated that home repair assistance was the greatest need. Regarding rental development activities, 46 percent indicated that their community's greatest need was the construction of new rental units, while 12 percent indicated that there was a minimal need for rental development in their areas. When considering energy assistance activities, 52 percent indicated that weatherization and minor home repairs was the greatest need followed by utility assistance with 24 percent.

ASSISTED HOUSING INVENTORY

The following table shows the number of total multifamily units in the region financed through state and federal sources, including TDHCA; HUD; PHAs; Section 8 Housing Choice Vouchers; USDA; and local HFCs, which includes the Texas State Affordable Housing Corporation. For information on the data sources, see “Assisted Housing Inventory” under “State of Texas” in this section. Please note that because some developments layer funding from multiple sources, there may be double counting.

Region 13 Assisted Multifamily Units

	Region Total	Percent in Region	Percent of State Total
TDHCA Units	4,502	23.0%	2.4%
HUD Units	2,395	12.3%	2.3%
PHA Units	6,228	31.9%	11.3%
Section 8 Vouchers	6,117	31.3%	4.2%
USDA Units	298	1.5%	1.1%
HFC Units*	689		
Total	19,540	100.0%	3.8%

*HFC units are not included in the final total, because HFC developments report total units rather than specifying assisted units, and because the majority of HFC-financed developments also receive housing tax credits from TDHCA.

REGIONAL PLANS SUMMARY

This section summarizes the information from the regional plans in the previous section.

POPULATION CHARACTERISTICS

The most populous regions of the state according to the 2000 Census are Regions 3 and 6, together representing almost 50 percent of the state. Regions 3, 6, 7, and 11 are the fastest growing regions.

Population and Poverty, 2000

Service Region	Population 2000 Census	Percent of State's Population	Population Estimate Jan 1, 2007	Percent Change 2000 to 2007	Persons in Poverty	Percent of State Poverty Total	Population for whom Poverty Status is Determined	Percent of Regional Population in Poverty
1	780,733	3.7%	803,319	2.9%	122,991	3.9%	748,227	16.4%
2	549,267	2.6%	548,496	-0.1%	77,647	2.5%	514,399	15.1%
3	5,487,477	26.3%	6,451,517	17.6%	588,688	18.9%	5,389,443	10.9%
4	1,015,648	4.9%	1,084,491	6.8%	152,036	4.9%	971,222	15.7%
5	740,952	3.6%	750,261	1.3%	120,585	3.9%	705,774	17.1%
6	4,854,454	23.3%	5,734,497	18.1%	656,239	21.0%	4,763,150	13.8%
7	1,346,833	6.5%	1,660,876	23.3%	145,060	4.7%	1,310,221	11.1%
8	963,139	4.6%	1,046,000	8.6%	149,480	4.8%	897,160	16.7%
9	1,807,868	8.7%	2,070,722	14.5%	267,118	8.6%	1,759,653	15.2%
10	732,917	3.5%	748,032	2.1%	132,214	4.2%	708,646	18.7%
11	1,343,330	6.4%	1,620,621	20.6%	455,366	14.6%	1,324,854	34.4%
12	524,884	2.5%	537,846	2.5%	85,063	2.7%	503,813	16.9%
13	704,318	3.4%	777,528	10.4%	165,122	5.3%	690,738	23.9%
State	20,851,820	100%	23,834,206	12.5%	3,117,609	100.0%	20,287,300	15.4%

Source: 2000 US Census and Texas State Data Center

The table below provides information on the income breakdowns of households in each region.

Households and Income, 2000

Service Region	Total Households	Extremely Low Income (0% to 30% AMFI)	Very Low Income (31% to 50% AMFI)	Low Income (51% to 80% AMFI)	Moderate Income (81% to 95% AMFI)	Higher Income (over 95% AMFI)
1	288,273	36,433	34,684	53,087	20,604	143,475
2	206,459	23,690	26,096	37,041	15,491	104,169
3	1,988,135	216,675	207,946	361,581	165,946	1,043,156
4	380,765	47,359	45,345	64,823	28,943	194,299
5	274,543	38,575	32,704	45,851	19,222	138,364
6	1,691,811	209,127	186,994	284,820	131,907	881,944
7	509,798	60,766	54,465	92,250	44,650	257,667
8	343,856	46,423	39,537	59,780	26,911	171,721
9	635,280	73,161	69,347	109,133	49,283	334,532
10	255,493	33,862	30,725	42,309	16,854	131,811
11	377,276	73,326	62,736	71,481	199	169,566
12	188,921	22,798	23,084	33,409	13,680	95,995
13	216,861	29,207	28,546	38,430	7,373	114,009
State	7,357,471	911,402	842,209	1,293,995	541,063	3,780,708

Source: CHAS Database

HOUSING SUPPLY

Of the state's housing stock, regions 1 and 2 have the highest percentage of one-unit housing; Regions 3, 6, and 7 have the highest levels of multifamily housing.

Housing Stock by Region, 2000

Service Region	Housing Units	One Unit	2 to 19 Units	Over 20 Units	Mobile Homes	Boats, RVs
1	322,045	240,418 74.7%	30,163 9.4%	20,997 6.5%	29,683 9.2%	784 0.2%
2	243,506	186,932 76.8%	21,599 8.9%	7,974 3.3%	25,365 10.4%	1,636 0.7%
3	2,140,641	1,373,780 64.2%	385,269 18.0%	259,402 12.1%	118,078 5.5%	4,112 0.2%
4	434,792	307,802 70.8%	32,153 7.4%	13,754 3.2%	78,312 18.0%	2,771 0.6%
5	325,047	225,213 69.3%	23,868 7.3%	12,709 3.9%	60,328 18.6%	2,929 0.9%
6	1,853,854	1,175,460 63.4%	265,188 14.3%	293,889 15.9%	115,535 6.2%	3,782 0.2%
7	545,761	339,272 62.2%	96,402 17.7%	66,390 12.2%	41,991 7.7%	1,706 0.3%
8	387,627	259,909 67.1%	58,646 15.1%	19,960 5.1%	47,492 12.3%	1,620 0.4%
9	689,862	476,751 69.1%	101,504 14.7%	52,139 7.6%	57,339 8.3%	2,129 0.3%
10	298,494	212,067 71.0%	36,198 12.1%	17,165 5.8%	30,936 10.4%	2,128 0.7%
11	457,406	303,046 66.3%	45,937 10.0%	18,112 4.0%	80,947 17.7%	9,364 2.0%
12	221,968	159,092 71.7%	21,931 9.9%	13,796 6.2%	26,240 11.8%	909 0.4%
13	236,572	161,168 68.1%	32,741 13.8%	22,814 9.6%	19,406 8.2%	443 0.2%
State	8,157,575	5,420,910 66.5%	1,151,599 14.1%	819,101 10.0%	731,652 9.0%	34,313 0.4%

Source: 2000 US Census

Housing Analysis

Regional Plans Summary

The homeownership rate for the State is 63.8 percent. The region with the lowest percentage of homeowners is Region 7 with 59.8 percent. The region with the highest percentage of homeowners is Region 4 with 73.8 percent.

Housing Units by Occupancy, 2000

Service Region	Total Tenure	Owner Occupied		Renter Occupied	
		Number	Percent	Number	Percent
1	288,175	191,161	66.3%	97,014	33.7%
2	206,388	142,603	69.1%	63,785	30.9%
3	2,004,826	1,220,939	60.9%	783,887	39.1%
4	380,468	280,896	73.8%	99,572	26.2%
5	275,233	201,971	73.4%	73,262	26.6%
6	1,702,792	1,037,371	60.9%	665,421	39.1%
7	510,555	305,294	59.8%	205,261	40.2%
8	344,575	210,882	61.2%	133,693	38.8%
9	636,796	414,009	65.0%	222,787	35.0%
10	256,428	171,319	66.8%	85,109	33.2%
11	378,275	267,716	70.8%	110,559	29.2%
12	189,582	132,956	70.1%	56,626	29.9%
13	219,261	139,842	63.8%	79,419	36.2%
State	7,393,354	4,716,959	63.8%	2,676,395	36.2%

Source: 2000 US Census

NEED INDICATORS

The chart below shows the number of renter households with cost burden greater than 30 percent by income group. The highest numbers of very low income households with extreme cost burden are found in Region 3 with a total of 206,011 households and Region 6 with 168,355 households.

Number of Renter Households with Extreme Cost Burden by Income Group, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	81% to 95%	95% and Above
1	29,555	14,026	9,256	5,092	636	545
2	16,557	7,546	5,753	2,699	263	296
3	206,011	78,911	67,156	48,746	5,773	5,425
4	27,100	12,500	9,142	4,443	606	409
5	21,116	10,733	6,894	2,890	254	345
6	168,355	71,699	55,967	31,103	4,751	4,835
7	68,118	27,648	21,497	15,700	1,808	1,465
8	42,797	20,028	12,657	8,285	1,123	704
9	62,012	24,095	19,495	14,458	1,834	2,130
10	23,006	9,258	7,433	4,896	744	675
11	25,023	13,381	7,343	3,335	0	964
12	14,243	6,874	4,782	2,151	223	213
13	22,151	8,941	7,159	4,652	270	1,129
State	726,044	305,640	234,534	148,450	18,285	19,135

Source: CHAS Database

The number of rental units lacking complete plumbing and/or kitchen facilities is one of the indicators of housing need that does not follow the pattern of population. Regions 3 and 6 have the highest number of units lacking facilities and are also the regions with the highest number of renter households. Region 11, however, is ranked sixth in terms of renter population and third in number of renter units lacking kitchen and/or plumbing facilities.

Number of Renter Units Lacking Kitchen and/or Plumbing by Affordability Category, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	80% and Above
1	1,264	553	322	301	88
2	799	330	161	237	71
3	7,977	2,968	2,087	2,247	675
4	1,647	724	425	363	135
5	1,195	549	300	270	76
6	7,646	3,228	1,892	2,034	492
7	2,482	1,170	562	565	185
8	1,402	601	354	355	92
9	2,613	1,137	484	751	241
10	1,164	513	234	355	62
11	4,209	2,474	1,099	636	0
12	836	355	253	204	24
13	1,330	470	539	297	24
State	34,564	15,072	8,712	8,615	2,165

Source: CHAS Database

The table below shows the number of overcrowded owner households by income group. Regions 3 and 6, the most populous regions in the state, have the highest number of overcrowded households. Region 11, sixth in population, ranks third in number of overcrowded renter households.

Number of Overcrowded Renter Households by Income Group, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	81% to 95%	95% and Above
1	9,294	2,037	2,029	2,602	639	1,987
2	3,906	867	694	1,181	283	881
3	114,914	26,062	25,691	30,470	9,536	23,155
4	8,851	1,951	1,688	2,215	874	2,123
5	6,868	1,988	1,246	1,477	534	1,623
6	117,586	29,482	27,886	30,141	8,837	21,240
7	22,581	5,433	5,070	5,645	1,895	4,538
8	12,409	2,903	2,232	3,502	1,089	2,683
9	28,877	7,296	6,160	7,359	2,039	6,023
10	10,429	3,082	2,112	2,289	643	2,303
11	31,457	11,542	7,321	6,233	0	6,361
12	5,372	1,392	983	1,364	566	1,067
13	15,170	4,214	3,728	3,575	511	3,142
State	387,714	98,249	86,840	98,053	27,446	77,126

Source: CHAS Database

Housing Analysis

Regional Plans Summary

The table below shows the number of owner households with housing cost burden of over 30 percent of income. Regions 3 and 6, the most populous regions, have the highest number of very low income households with extreme cost burden.

Number of Owner Households with Extreme Housing Cost Burden by Income Group, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	81% to 95%	95% and Above
1	28,912	8,542	7,021	6,944	1,748	4,657
2	22,471	6,744	5,894	4,902	1,555	3,376
3	216,038	50,064	41,410	55,310	19,764	49,490
4	49,419	15,358	11,379	11,530	3,628	7,524
5	32,849	11,845	7,609	7,044	1,990	4,361
6	173,411	44,640	34,996	42,008	13,606	38,161
7	56,638	11,452	10,018	16,282	6,004	12,882
8	36,129	9,754	7,763	9,069	3,088	6,455
9	71,630	17,316	14,240	17,201	6,436	16,437
10	28,552	8,706	6,387	6,181	1,854	5,424
11	43,599	15,558	10,747	8,961	63	8,270
12	20,719	6,228	5,142	4,727	1,407	3,215
13	26,451	6,254	5,872	7,268	1,120	5,937
State	806,818	212,461	168,478	197,427	62,263	166,189

Source: CHAS Database

The table below shows the number of owner units that are lacking kitchen and/or plumbing facilities. Region 11, with the sixth highest number of owner households, has the highest number of physically inadequate owner housing units. Region 6, the second most populous region, has the second highest number of units lacking kitchen and/or plumbing facilities.

Number of Owner Units Lacking Kitchen and/or Plumbing, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	80% and Above
1	1,154	228	163	224	85
2	919	253	158	170	60
3	6,044	1,373	850	1,214	487
4	2,742	775	439	508	187
5	1,876	555	250	367	90
6	6,691	1,650	983	1,279	410
7	2,013	519	291	423	110
8	1,798	477	346	331	112
9	3,270	713	667	624	297
10	1,783	588	407	323	66
11	8,043	3,043	2,045	1,585	0
12	1,138	265	223	264	64
13	1,879	366	411	523	84
State	39,350	10,805	7,233	7,835	2,052

Source: CHAS Database

The table below shows that Region 6 has the highest number of overcrowded owner households.

Number of Overcrowded Owner Households by Income Group, 2000

Service Region	All Incomes	0% to 30%	31% to 50%	51% to 80%	81% to 95%	95% and Above
1	9,245	897	1,223	2,399	966	3,760
2	4,325	411	558	1,159	443	1,754
3	57,504	5,876	9,070	16,460	6527	19,571
4	10,259	1,233	1,477	2,496	1116	3,937
5	8,491	925	970	1,991	949	3,656
6	66,212	7,391	10,243	18,303	7269	23,006
7	12,315	1,038	2,055	3,503	1459	4,260
8	8,900	741	1,055	2,293	942	3,869
9	25,439	2,644	4,107	6,555	3171	8,962
10	10,929	1,235	1,563	2,421	1000	4,710
11	48,736	8,375	9,672	12,299	20	18,370
12	7,320	752	1,186	2,243	605	2,534
13	13,918	1,296	2,037	3,263	707	6,615
State	283,593	32,814	45,216	75,385	25,174	105,004

Source: CHAS Database

The total number of households in poverty, elderly and non-elderly, is one of the need indicators for some of the Department's community service activities. Regions 3, 6, and 11 have the highest numbers of poverty households.

Number of Households in Poverty, 2000

Service Region	Number of Elderly Poverty Households	Percent of State's Elderly Poverty Households	Number of Non-Elderly Poverty Households	% of State's Non-Elderly Poverty Households	Total Number of Poverty Households	Percent of State's Poverty Households
1	8,897	4.6%	37,710	4.5%	46,607	4.5%
2	8,100	4.2%	23,414	2.8%	31,514	3.0%
3	32,129	16.6%	165,495	19.7%	197,624	19.1%
4	15,592	8.1%	43,499	5.2%	59,091	5.7%
5	11,148	5.8%	36,076	4.3%	47,224	4.6%
6	32,192	16.7%	179,586	21.4%	211,778	20.5%
7	6,601	3.4%	46,549	5.5%	53,150	5.1%
8	10,531	5.4%	47,640	5.7%	58,171	5.6%
9	17,887	9.3%	70,207	8.4%	88,094	8.5%
10	10,783	5.6%	34,422	4.1%	45,205	4.4%
11	23,614	12.2%	93,382	11.1%	116,996	11.3%
12	6,744	3.5%	24,217	2.9%	30,961	3.0%
13	9,083	4.7%	38,561	4.6%	47,644	4.6%
State	193,301	100.0%	840,758	100.0%	1,034,059	100.0%

Source: 2000 Census

ASSISTED HOUSING INVENTORY

The following table shows the number of multifamily units in the state financed through state and federal sources according to region. Please see the “Assisted Housing Inventory” under “State of Texas” for data explanations.

Assisted Multifamily Units

Region	TDHCA Units	HUD Units	PHA Units	Section 8 Vouchers	USDA Units	HFC units*	Total Assisted Units
1	4,834	3,451	1,304	5,679	1,676	1,577	16,944
2	3,039	1,979	3,026	3,009	1,925	280	12,978
3	58,600	28,032	8,485	43,833	4,076	20,744	143,026
4	5,367	3,577	2,252	5,988	3,872	1,160	21,056
5	5,289	4,134	2,368	7,598	1,443	1,160	20,832
6	51,528	27,284	5,138	21,884	3,484	38,125	109,318
7	16,398	5,032	3,506	8,053	1,477	8,276	34,466
8	5,906	4,178	2,780	7,621	2,820	304	23,305
9	15,455	12,080	7,458	15,046	1,007	22,382	51,046
10	4,718	4,236	4,459	3,977	1,619	968	19,009
11	9,202	4,208	6,949	13,553	2,003	312	35,915
12	3,269	1,763	1,145	3,058	735	24	9,970
13	4,502	2,395	6,228	6,117	298	689	19,540
State	188,107	102,349	55,098	145,416	26,435	96,001	517,405

*Because HFC developments report total units and do not specify assisted units, and that the majority of HFC-financed developments also receive housing tax credits from TDHCA, these units are not included in the final total.

SECTION 4: ACTION PLAN

In response to the housing needs identified in the previous section, this plan outlines TDHCA's course of action designed to meet those underserved housing needs. This section discusses the following:

- Policy Focuses
- Program Plans
- TDHCA Allocation Plans
- TDHCA Goals and Objectives

FAIR HOUSING

Through program requirements and compliance monitoring, TDHCA works to ensure that housing programs benefit individuals without regard to race, ethnicity, sex, or national origin, as outlined in 10 TAC 1.60. Complaints involving all forms of housing discrimination are also referred to the Texas Workforce Commission Human Rights Division, which oversees the Texas Fair Housing Act. Additionally, it is the policy of TDHCA to not require its nonprofit recipients of funds to verify, as a condition of receiving federal funds, the citizenship or immigration status of applicants for funds. This policy is subject to change if the US Department of Housing and Urban Development revises its policy. This policy does not apply to the Section 8 Housing Choice Voucher Program.

The Texas Fair Housing Act of 1989 enables the State to remedy discriminatory public policies affecting housing affordability and access. The Act prohibits discrimination against individuals in their pursuit of homeownership or rental housing opportunities based on race, color, national origin, sex, religion, familial status, and physical or mental handicaps. Recent state activities or current objectives relating to fair housing are discussed below:

- Comply with the Texas Fair Housing Act in TDHCA administered programs.
- Coordinate fair housing efforts with the Texas Workforce Commission, Human Rights Division, which was created under the Texas Fair Housing Act to directly address public grievances related to fair housing.
- Section 8 Admittance Policy: The policy adopted by the TDHCA Board is as follows:
 - Managers and owners of HTC properties are prohibited from having policies, practices, procedures and/or screening criteria that have the effect of excluding applicants because they have a Section 8 voucher or certificate.
 - The verification of such an exclusionary practice on the part of the owner or the manager by TDHCA will be considered a violation and will result in the issuance of a Notice of Violation and, if appropriate, issuance of a Form 8823 to the Internal Revenue Service.
 - Any violation of program requirements relative to this policy will also impact the Owner's ability to participate in future TDHCA programs.

POLICY PRIORITIES

This section describes policies TDHCA will use to address specific types of housing need in each uniform state service region, including meeting the underserved needs of extremely low income households, the homeless, persons with disabilities, and other special needs populations. This section also discusses rural needs, energy efficiency, and lead-based paint.

EXTREMELY LOW INCOME INDIVIDUALS AND HOUSEHOLDS

While one of the Department's charges is to serve the State's populations from extremely low income to moderate income, funding priority is given to those populations that are most in need of services: low, very low, and extremely low income individuals and households. Additionally, the Texas Legislature, through 2006-2007 Appropriations Act Rider 4 (Rider 5 in the 2008-2009 Appropriations Act), specifically calls upon TDHCA to focus funding toward individuals and families that are earning less than 60 percent of the area median family income. This rider directs TDHCA to apply \$30,000,000 annually towards assisting extremely low income households; and no less than 20 percent of the Department's total housing funds towards assisting very low income households. TDHCA works to meet these goals, by providing incentives for applicants to set aside units for very low and extremely low income households.

The data presented in the Housing Analysis section of this report shows that households with lower incomes have higher incidences of housing problems. There are minimal differences between the incidences of housing problems between the two lowest income groups (0-30 percent and 31-50 percent of median income). While incidences of housing problems for these two groups are significantly higher than those of the other low income group, households with incomes at 51-80 percent of median income have significant needs as well. Therefore, households at 0-80 percent of median income have been given higher priority than households above 80 percent of median income. This prioritization will allow the State to target resources to those households most in need, regardless of household type.

Poverty

According to the 2000 US Census, Texas has the ninth highest poverty rate among the states: 15.4 percent compared to the national rate of 12.4 percent. The US Department of Health and Human Services defines the 2007 poverty guideline as \$20,650 in income for a family of four,³⁶ and many poor families make substantially less than this. Poverty can be self-perpetuating, creating barriers to education, health, and the financial stability provided by homeownership.

TDHCA has an important role in addressing Texas poverty. The Department seeks to reduce the number of Texans living in poverty, thereby providing a better future for all Texans. This means (1) trying to provide long-term solutions to the problems facing people in poverty and (2) targeting resources to those with the greatest need. The Department provides low income persons with energy, emergency, and housing assistance to meet the basic necessities.

An asset development approach to addressing poverty emphasizes the use of public assistance to facilitate long-term investments rather than incremental increases in income. In housing, this can mean gaining equity through homeownership. Several of TDHCA programs introduce the option of homeownership to lower income populations: the HOME Program offers down payment assistance and closing cost assistance, and the Single Family Bond Program offers below-market-rate loans.

Programs administered through TDHCA's Office of Colonia Initiatives (OCI) can be instrumental in creating self sufficiency in the colonias. OCI coordinates programs that improve the living conditions of

³⁶ US Department of Health and Human Services, "The 2005 HHS Poverty Guidelines," <http://aspe.hhs.gov/poverty/05poverty.shtml> (accessed July 28, 2006).

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the state's colonias. The Texas Bootstrap Loan program provides loans for self-help housing initiatives; the Contract for Deed Conversion Initiative facilitates homeownership by converting contracts for deed into traditional mortgages; the Colonia Model Subdivision Program provides loans to develop residential subdivisions as alternatives to colonias; and the Colonia Self-Help Centers provide outreach, education, and technical assistance to colonia residents.

SPECIAL NEEDS POPULATIONS

According to HUD, in addition to the homeless, special needs populations include persons with disabilities, the elderly, persons with alcohol and/or drug addictions, persons with HIV/AIDS, and public housing residents. TDHCA also considers colonia residents and migrant farmworkers as special needs populations.

The following sections describe each type of special need and actions taken by TDHCA to try to address the specific issues of the different special needs groups.

HOMELESS POPULATIONS

The Stewart B. McKinney Homeless Assistance Act of 1987, the legislation that created a series of homeless assistance programs, defined the term "homeless." The following definition is used by the US Department of Housing and Urban Development (HUD) and all other federal agencies responsible for administering McKinney programs:

The term "homeless" or "homeless individual" includes

- an individual who lacks a fixed, regular, and adequate night time residence; or
- an individual who has a primary nighttime residency that is
 - a supervised publicly or privately-operated shelter designed to provide temporary living accommodations;
 - an institution that provides a temporary residence for individuals intended to be institutionalized; or
 - a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

Estimates of homeless populations vary widely. The migratory nature of the homeless population, the stigma associated with homelessness, and the fact that many homeless individuals lack basic documentation all contribute to the difficulty of making an accurate count. Most homeless counts are "point in time" estimates, which do not capture the revolving-door phenomenon of persons moving in and out of shelters over time. Furthermore, the homeless population can be classified into three categories: literally homeless, which describes those who have no permanent residence and stay in shelters or public places; marginally homeless, which includes those who live temporarily with other people and have no prospects for housing; and people at risk of homelessness. People at risk of homelessness generally have incomes below the poverty level, rely on utility and rental assistance, and may be unable to absorb unexpected events such as the loss of a job or serious illness.

Specific Strategies for Meeting Homeless Needs

The following TDCHA activities are targeted to meet the needs of homeless populations.

Emergency Shelter Grants Program

Through the Emergency Shelter Grants Program (ESGP), TDHCA funds organizations that provide shelter and related services for homeless persons, as well as intervention services to persons threatened with homelessness. Activities include renovating buildings for use as shelters; medical and psychological counseling; assistance in obtaining permanent housing; and homeless prevention services, such as rent and utility assistance. For 2007, TDHCA anticipates that it will receive \$5,076,683 in funding to address homelessness, and disperses those funds according to a regional allocation formula based on the poverty percentage of each uniform state service region. Demonstrating the need for homeless shelter and services, for the 2006 ESGP application cycle, the Department received 123 applications and was able to fund only 76.

Community Services Block Grant Program

TDHCA provides administrative support funds to community action agencies (CAAs) that offer emergency and poverty-related programs to lower income persons. CAA services include child care, health and human services, job training, migrant farmworker assistance, nutrition services, and emergency assistance. These services can be instrumental in preventing homelessness in the lowest income populations.

HTC Program

The HTC Program (HTC) is a multifamily program that encourages the development of affordable multifamily housing. In addition to the construction, acquisition, and/or rehabilitation of new, existing, at-risk, and rural housing, this program can also be used to develop transitional housing. TDHCA gives scoring preferences for special needs activities, including transitional housing.

Texas Interagency Council for the Homeless

The Texas Interagency Council for the Homeless (TICH) was created in 1989 to coordinate the State's homeless resources and services. TICH consists of representatives from all state agencies that serve the homeless. The council receives no funding and has no full-time staff, but receives clerical and advisory support from TDHCA. The council holds public hearings in various parts of the state to gather information useful to its members in administering programs. The Council's major functions include:

- evaluating and helping coordinate the delivery of services for the homeless in Texas;
- increasing the flow of information among separate providers and appropriate authorities;
- providing technical assistance to TDHCA in assessing the need for housing for people with special needs;
- developing, in coordination with TDHCA and the Health and Human Services Commission, a strategic plan to address the needs of the homeless;
- maintaining a central resource and information center for the homeless.

PERSONS WITH DISABILITIES

According to the 2000 US Census, there are approximately 3,605,542 disabled, civilian, non-institutionalized persons over the age of five (or approximately 19 percent of total population) in Texas. Of this figure, 663,300 have a sensory disability (severe vision or hearing impairment), 1,428,580 have a physical disability (condition that substantially limits a physical activity such as walking or carrying),

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816,185 have a mental disability (learning or remembering impairment), 487,120 have a self-care disability (dressing, bathing, or getting around inside the home), 1,359,848 have a “going outside the home disability,” and 1,651,821 have an employment disability.

Housing opportunities for people with disabilities may be complicated by low incomes. The 2000 census estimates that 553,934 disabled individuals over age five live below the poverty level in Texas. Many people with disabilities may be unable to work, and receive Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) benefits as their principal source of income. According to *Priced Out* in 2004, an SSI recipient would have to pay an average of 102.7 percent (calculated as \$569) of his or her \$564 monthly payment to rent a one-bedroom apartment in Texas.³⁷ According to the HUD definition of affordability that estimates that a household should pay no more than 30 percent of its income on housing expenses, an SSI recipient can afford a monthly rent of no more than \$169.

The *Olmstead* Supreme Court decision maintained that unnecessary segregation and institutionalization of people with disabilities is unlawful discrimination under the Americans with Disabilities Act (ADA). Furthermore, the Fair Housing Act, Section 504 of the Rehabilitation Act, ADA, and Section 2306.514 of the Texas Government Code all provide mandates for accessible residential housing for persons with disabilities. Housing developers may choose to provide “adaptive design” or “universal access” housing, which promotes basic, uniform standards in the design, construction, and alteration of structures that include accessibility or simple modification for disabled individuals. While an “adaptable” unit may not be fully accessible at time of occupancy, it can easily and inexpensively be modified to meet the needs of any resident. Another option is to equip homes with special features designed for persons with disabilities, including ramps, extra-wide doors and hallways, hand rails and grab bars, raised toilets, and special door levers.

Advocates for the elderly and persons with disabilities continue to stress that the primary goal of these populations is to live independently and remain in their own homes. Access to rehabilitation funds for single family housing—to perform minor physical modifications such as extra handrails, grab bars, wheelchair-accessible bathrooms, and ramps, thus making existing units livable and providing a cost-effective and consumer-driven alternative to institutionalization—was considered as a priority. Likewise, the availability of rental vouchers that provide options beyond institutional settings was found to be a high priority.

The following TDHCA activities are targeted to meeting the needs of persons with disabilities.

Disability Advisory Workgroup

TDHCA has found that directly involving program beneficiary representatives, community advocates, and potential applicants for funding in the process of crafting its policies and rules is extremely helpful. This process is often done through a “working group” format. The working groups provide an opportunity for staff to interact with various program stakeholders in a more informal environment than that provided by the formal public comment process. TDHCA has actively maintained a “Disability Advisory Workgroup” which provides ongoing guidance to the Executive Director on how TDHCA’s programs can most effectively serve persons with disabilities.

Promoting Independence Advisory Committee

With the advent of the *Olmstead* decision, the Health and Human Services Commission (HHSC) initiated the Promoting Independence Initiative and appointed the Promoting Independence Advisory Board, as

³⁷ Technical Assistance Collaborative Inc. and Consortium for Citizens with Disabilities Housing Task Force, *Priced Out in 2004*, by Ann O’Hara and Emily Cooper (Boston, MA: Technical Assistance Collaborative Inc., August 2005), 37, <http://www.c-c-d.org/pricedout04.pdf> (accessed July 28, 2006).

directed by then-Governor George Bush's Executive Order GWB 99-2. Governor Rick Perry's Executive Order RP 13 complements GWB 99-2. Now known as the Promoting Independence Advisory Committee, the PIAC assists the Health and Human Services Commission in creating the State's response to the *Olmstead* decision through the biannual Promoting Independence Plan. This plan highlights the State's efforts to assist those individuals desirous of community placement, appropriate for community placement as determined by the state's treatment professionals, and who do not constitute a fundamental alteration in the state's services, to live in the community. TDHCA participates in PIAC meetings and is a member of the Housing subcommittee.

Project Access

TDHCA has taken a leadership role in the provision of funding for rental assistance to address the housing needs of persons seeking community-based alternatives to institutionalization. In 2002, TDHCA received 35 Section 8 Housing Choice rental vouchers to administer to the Olmstead population as part of a national pilot called "Project Access."

Integrated Housing Rule

An issue of particular concern for advocates for persons with disabilities involved the Department's policies related to integrated housing. Integrated housing, as defined by SB 367 and passed by the 77th Texas Legislature, is "housing in which a person with a disability resides or may reside that is found in the community but that is not exclusively occupied by persons with disabilities and their care providers." The Department, with the assistance of the TDHCA Disability Advisory Workgroup, developed an integrated housing rule to address this concern. The Integrated Housing Rule for use by all Department housing programs, is found at 10 TAC 1.15 and is summarized as follows

- A housing development may not restrict occupancy solely to people with disabilities or people with disabilities in combination with other special needs populations.
- Large housing developments (50 units or more) shall provide no more than 18 percent of the units of the development set aside exclusively for people with disabilities. The units must be dispersed throughout the development.
- Small housing developments (less than 50 units) shall provide no more than 36 percent of the units of the development set aside exclusively for people with disabilities. These units must be dispersed throughout the development.
- Set-aside percentages outlined above refer only to the units that are to be solely restricted for persons with disabilities. This section does not prohibit a property from having a higher percentage of occupants that are disabled.
- Property owners may not market a housing development entirely, nor limit occupancy to, persons with disabilities.

Exceptions to the above rule include (1) scattered site development and tenant-based rental assistance is exempt from the requirements of this section; (2) transitional housing that is time-limited with a clear and convincing plan for permanent integrated housing upon exit from the transitional situation; (3) housing developments designed exclusively for the elderly; (4) housing developments designed for other special needs populations; and (5) Board waivers of this rule to further the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause.

HOME Program

As established in Section 2306.111(c) of the Texas Government Code shown below and subject to the submission of qualified applications, 5 percent of the annual HOME Program allocation shall be allocated for applications serving persons with disabilities living in any part of the state.

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Additionally, in accordance with 10 TAC 53, applicants applying for HOME funds under the Tenant-Based Rental Assistance programs should propose targeting at least 5 percent of the number of units proposed in the application, to persons who meet the definition of persons with disabilities.

HTC, HTF and Multifamily Bond Programs

HTC, HTF and Multifamily Bond developments that are new construction must conform to Section 504 standards, which require that at least 5 percent of the development's units be accessible for persons with physical disabilities and at least 2 percent of the units be accessible for persons with hearing and visual impairments.

Comprehensive Energy Assistance and Weatherization Assistance Programs

Priority for assistance through these programs is given to the elderly, persons with disabilities, and families with young children; households with the highest energy costs in relation to income; and households with high energy consumption. Local providers must implement special outreach efforts for these special needs populations.

ELDERLY POPULATIONS

According to the 2000 US Census, 9.9 percent (approximately 2 million) of people in Texas are 65 years of age or older. The State of Texas Senior Housing Assessment found that 91 percent of survey respondents expressed a desire to stay in their own homes as long as possible, and two-thirds believed that they would always live in their homes.³⁸ Of all elderly households nationwide, 73 percent owned their own homes free and clear.³⁹ However, elderly homeowners generally live in older homes than the majority of the population; the median year of construction for homes owned by elderly households was 1965 and 5.3 percent had physical problems.⁴⁰ Due to their age, homes owned by the elderly are often in need of repair and weatherization.

Owner-occupied housing assistance through the HOME Program provides funds for the repair and rehabilitation of homes owned by very low income households in mainly rural areas of the state, many of the assisted households are elderly. The Department's weatherization and utility assistance programs give preference to the elderly, persons with disabilities, and families with young children.

ALCOHOL AND DRUG ADDICTION

The Texas Commission on Alcohol and Drug Abuse (TCADA), now part of the Texas Department of State Health Services (DSHS), estimated that approximately 1.8 million, or 12 percent, of adults in Texas have an alcohol-related problem, another 227,000 have drug-related problems, and an additional 495,000 have both alcohol and drug-related problems.⁴¹ Of the 56,858 total admissions to DSHS-funded treatment

³⁸ Texas Department of Aging and Disability Services, *The State of Our State on Aging 2005* (Austin, TX: Texas Department of Aging and Disability Services, May 2005), 27, http://www.dads.state.tx.us/news_info/publications/studies/2005_sos_exec_summary.pdf (accessed July 28, 2006).

³⁹ US Department of Health and Human Services, *A Profile on Older Americans: 2005*, 11.

⁴⁰ US Department of Health and Human Services, *A Profile on Older Americans: 2005*, 11.

⁴¹ Texas Commission on Alcohol and Drug Abuse, *2000 Texas Survey of Substance Use Among Adults*, by Lynn Wallisch (Austin, TX: Texas Commission on Alcohol and Drug Abuse, July 2001), 29, <http://www.tcada.state.tx.us/research/AdultHousehold.pdf> (accessed July 28, 2006).

programs during 2005, admitted individuals were 58.3 percent male with an average age of 31.6, an average 11th grade education, and an average annual income of \$5,753.⁴² Furthermore, 22.4 percent were employed, 9.7 percent were homeless, 52.4 had family or marital problems, and 45 percent reported psychological and emotional problems. The population of persons with alcohol or other drug addiction is diverse and often overlaps with the mentally disabled or homeless populations.

Supportive housing programs needed for persons with alcohol and/or other drug addiction problems range from short-term, in-patient services to long-term, drug-free residential housing environments for recovering addicts. Better recovery results may be obtained by placing individuals in stable living environments.

PERSONS WITH HIV/AIDS

Human Immunodeficiency Virus, or HIV, is the virus that causes AIDS (Acquired Immunodeficiency Syndrome). HIV infects cells and attacks the immune system, which weakens the body and makes it especially susceptible to other infections and diseases. According to DSHS, in 2005, there were 56,012 reported persons living with HIV/AIDS in Texas.⁴³ The majority of these cases were located in Bexar, Dallas, Harris, Tarrant, and Travis Counties. Because of increased medical costs or the loss of the ability to work, people with HIV/AIDS may be at risk of losing their housing arrangements.

DSHS addresses the housing needs of AIDS patients through the Housing Opportunities for Persons with AIDS Program (HOPWA), which is a federal program funded by HUD. In Texas, HOPWA funds provide emergency housing assistance, which funds short-term rent, mortgage, and utility payments to prevent homelessness; and tenant-based rental assistance, which enables low income individuals to pay rent and utilities until there is no longer a need or until they are able to secure other housing. In addition to the TDH statewide program, the cities of Austin, Dallas, Fort Worth, Houston, and San Antonio receive HOPWA funds directly from HUD.

PUBLIC HOUSING RESIDENTS

According to HUD data, there are 55,098 units of public housing and 145,416 Section 8 Housing Choice Vouchers in Texas.⁴⁴

TDHCA believes that the future success of public housing authorities (PHAs) will center on ingenuity in program design, emphasis on resident participation towards economic self-sufficiency, and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it is important to maintain a relationship with these service providers.

TDHCA has developed a strong relationship with the Texas Housing Association and the Texas chapter of the National Association of Housing and Redevelopment Officials, which represent the public housing authorities of Texas. TDHCA has worked to promote programs that will repair substandard housing and develop additional affordable housing units.

COLONIA RESIDENTS

According to Section 2306.581 of the Texas Government Code:

⁴² Jane Carlisle Maxwell, Substance Abuse Trends in Texas: June 2006 (Austin, TX: Gulf Coast Addiction Technology Transfer Center, June 2006), 21, <http://www.utexas.edu/research/cswr/gcattc/Trends/trends606.pdf> (accessed August 2, 2006).

⁴³ Texas Department of State Health Services, HIV/STD Epidemiology and Surveillance Branch, *Texas HIV/STD Surveillance Report: 2005 Annual Report* (Austin, TX: Texas Department of State Health Services), 3, http://www.dshs.state.tx.us/hivstd/stats/pdf/surv_2005.pdf (accessed August 2, 2006).

⁴⁴ HUD, "Public Housing Agency (HA) Profiles" <http://www.hud.gov/offices/pih/systems/pic/haprofiles/index.cfm> (accessed November 1, 2007).

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“Colonia” means a geographic area located in a county some part of which is within 150 miles of the international border of this state, that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that

- has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under Section 17.921, Water Code; or
- has the physical and economic characteristics of a colonia, as determined by the department.

The Texas Secretary of State reports that there are more than 2,294 Texas colonias with 400,000 residents.⁴⁵ Colonia residents are generally unskilled, lack a formal education, and do not have stable employment. The majority of colonia residents do fieldwork, construction work, or factory work, and the unemployment rate ranges from 20 to 60 percent.⁴⁶

According to 2000 US Census data, colonias have a 75 percent homeownership rate. Despite this rate, however, colonia homes are inadequate; 4.9 percent of colonia dwellings lack kitchen facilities and 5.3 percent lack plumbing facilities. Some of these properties may have been purchased with contracts for deed, which are seller-financed transactions that do not transfer the title and ownership of the property to the buyer until the purchase price is paid in full.

The Office of Colonia Initiatives at TDHCA provides programs that assist colonia residents with their housing needs, including increased affordable housing opportunities, such as down payment assistance and low-interest-rate loans, homeowner education, construction education and assistance, owner-occupied home repair, access to adequate infrastructure, and the conversion of remaining contracts for deed to conventional mortgages.

MIGRANT FARMWORKERS

According to the US Department of Health and Human Services *Migrant and Seasonal Farmworker Enumeration Profiles Study*, a seasonal farmworker describes an individual whose principal employment (at least 51 percent of time) is in agriculture on a seasonal basis and who has been so employed within the preceding twenty-four months; a migrant farmworker meets the same definition, but establishes temporary housing for purposes of employment.⁴⁷ The US Department of Health and Human Services estimates that there are 362,724 migrant and seasonal farm workers and families residing in Texas.⁴⁸

Farmworkers have a particularly difficult time finding available, affordable housing because of extremely low and sporadic incomes and frequent mobility. Many of the small, rural communities where migrant workers may seek employment do not have the rental units available for the seasonal influx. Overcrowding and substandard housing are significant housing problems for farmworkers.⁴⁹ In addition,

⁴⁵ Texas Secretary of State, “Colonia FAQ’s,” <http://www.sos.state.tx.us/border/colonias/faqs.shtml> (accessed August 10, 2006).

⁴⁶ Texas Secretary of State, “Colonia FAQ’s.”

⁴⁷ US Department of Health and Human Services, Health Resources and Services Administration, Bureau of Primary Health Care, *Migrant and Seasonal Farmworker Enumeration Profiles Study: Texas*, by Alice Larson, Larson Assistance Services (Vashon Island, WA: Larson Assistance Services, September 2000), 2, <http://bphc.hrsa.gov/migrant/Enumeration/final-tx.pdf> (accessed August 09, 2006).

⁴⁸ US Department of Health and Human Services, *Migrant and Seasonal Farmworker Enumeration Profiles Study*, 13-18.

⁴⁹ Christopher Holden. “Monograph no. 8: Housing” in *Migrant Health Issues* (Buda, TX: National Center for Farmworker Health Inc., October 2001), 40, <http://www.ncfh.org/docs/08%20-%20housing.pdf> (accessed August 9, 2006).

migrant workers may not be able to afford security deposits, pass credit checks, or commit to long-term leases.

In HB 1099, the 79th Texas Legislative Session transferred the license and inspection of migrant farmworker housing facilities from the Texas Health and Human Services Commission to TDHCA. Additionally, the bill directed TDHCA to complete a study on quantity, availability, need, and quality of migrant farm labor housing facilities in Texas, see <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm#reports> for a copy of the report.

RURAL NEEDS

As the migration of populations and industries continues to urban and suburban areas, the less-populous areas of the state are left with a dilapidated housing stock and households with lower incomes than their urban or suburban counterparts. According to HUD, for FY 2007, the median income for Texas metropolitan statistical areas is \$54,800 compared to \$41,800 for non-metro households.⁵⁰

The Department works closely with several rural-based affordable housing organizations, private lenders, nonprofits, and units of local government in order to give funding priority to rural areas. It requires more effort to generate affordable housing activity in rural areas as the number of organizations available to assist with these activities is significantly fewer. With this in mind, the Department has developed specific strategies to address the needs of the rural populations of the state, which include rural allocations for housing program funds, prioritization of activities that are most needed in rural areas, and increasing awareness of TDHCA programs in rural areas.

With the exception of the 5 percent of the annual HOME Program allocation which shall be allocated for applicants serving persons with disabilities in any area of the state (as required by Section 2306.111(c) of the Texas Government Code), the TDHCA HOME funds primarily serve persons in rural areas. Participating jurisdictions are those large metropolitan counties and places that receive their HOME funds directly from HUD.

Section 2306.111(d) of the Texas Government Code requires that the TDHCA Regional Allocation Formula consider rural and urban areas in its distribution of program funding. Because of this, allocations for the HTC and HOME programs in allocated by rural and urban areas within each region. Additionally, the HTC Regional Allocation Formula provides for a minimum of \$500,000 rural allocation in each uniform state service region and a minimum of 20 percent of the state's tax credit amount is reserved for rural areas.

TDHCA and the Office of Rural Community Affairs (ORCA) administer the HTC Program rural regional allocation. ORCA assists in developing all thresholds, scoring, and underwriting criteria for rural regional allocation, and must approve the criteria. ORCA also participates in the evaluation and site inspection of rural developments proposed under the rural allocation.

The TDHCA Section 8 Housing Choice Voucher Program specifically serves households in small cities and rural communities that are not served by similar local or regional housing voucher programs.

ENERGY EFFICIENCY

Energy and water costs are often the largest single housing expense after food and shelter for lower income families. Utility costs typically represent 13 to 44 percent of lower income annual gross incomes and can account for nearly one-fourth of total housing costs. Proper use of existing technologies and

⁵⁰ HUD, "Estimated Median Family Incomes for FY 2006," http://www.huduser.org/datasets/il/il06/MedianNotice_2006.pdf (accessed July 28, 2006).

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management practices can reduce these utility costs significantly at a relatively low initial cost, thereby greatly increasing housing affordability for low and moderate income families.

The Department encourages, in each uniform state service region, energy efficiency in the construction of affordable housing by offering training, workshops, conferences, and other opportunities to learn about energy efficiency construction, and by encouraging applicants for Department programs to consider energy efficiency in their developments.

The HTC and HOME Programs require applicants for multifamily developments to adhere to the statewide energy code and provide Energy Star Rated appliance. The HTC Program also gives points for the use of energy-efficient alternative construction materials including R-15 wall and R-30 ceiling insulation, structurally insulated panels, and 14 SEER (seasonal energy efficiency ratio) cooling units.

The Weatherization Assistance Program allocates funding regionally, to help households in each region control energy costs through the installation on weatherization measures and energy conservation education. Weatherization services include the installation of storm windows, attic and wall insulation, and weather-stripping and sealing.

LEAD-BASED PAINT

The Consumer Product Safety Commission banned the use of lead-based paint in housing in 1978. According to the 2000 Census, there are 3,344,406 housing units in Texas that were built before 1979, many of which potentially contain lead-based paint. Of these homes, 2,764,745 are occupied by low income households and 579,661 are occupied by moderate income households. According to the National Safety Council, approximately 38 million US homes contain lead paint.⁵¹

The HOME Program, administered by TDHCA, requires lead screening in housing built before 1978. Requirements for acquisition and tenant-based rental assistance activities are distribution of the pamphlet "Protect Your Family from Lead in Your Home" prior to receipt of assistance; notification to property owners within 15 days if a visual assessment observes chipping, peeling or flaking paint; and, if detected, the paint must be stabilized using safe work practices and clearance must be provided. Requirements for rehabilitation activities fall into three categories based on the amount of federal assistance.

⁵¹ National Safety Council, "Lead Poisoning," (December 2004) <http://www.nsc.org/library/facts/lead.htm> (accessed August 9, 2006).

DISASTER INITIATIVES

In the event of disasters TDHCA is committed to quickly, efficiently, and responsibly locating funds and developing programs and initiatives to assist affected households and communities. Below are descriptions of the disaster recovery initiatives the Department has developed.

Community Development Block Grant Disaster Recovery Funds

In August 2005, Hurricane Katrina made landfall in Louisiana, and then in September 2005, Hurricane Rita made landfall near Sabine Pass on the southeast Texas Gulf coast. Texas experienced an influx of evacuees from Louisiana escaping Hurricane Katrina, and over 75,000 homes in southeast Texas were severely damaged or destroyed as a result of Rita. According to the Federal Emergency Management Agency (FEMA), 640,968 Katrina and Rita applicants for assistance were residing in Texas as of February 1, 2006.

As the lead agency in partnership with ORCA, the city of Houston, Harris County, and southeast Texas, TDHCA is the administrator of two Community Development Block Grants (CDBG) for disaster recovery funding in Texas under the Department of Defense Appropriations Act, 2006, Public Laws 109-148 and 109-234.

Under Public Law 109-148, a total of \$74.5 million was awarded to Texas to rebuild the southeast Texas region devastated by Hurricane Rita. In July 2006, the TDHCA Board approved awards to three councils of governments (COGs) in the region to rebuild damaged homes, and in August 2006 funds were awarded to four COGs that applied for the CDBG funds on behalf of cities, counties, and Indian tribes for infrastructure repairs. Of all funds awarded, 56.8 percent is dedicated to housing activities including home rehabilitation, reconstruction, and other eligible activities to help the residents of southeast Texas recover from this disaster.

In August 2006, under Public Law 109-234, HUD announced that Texas would receive an additional \$428 million in CDBG disaster funding to promote long-term recovery in the areas affected by the disaster. The action plan for the second round of CDBG funding was approved by HUD on April 13, 2007. The funds of the second round will be used to provide assistance to homeowners of low to moderate income whose houses were damaged by Hurricane Rita, restore and protect owner occupied housing stock in the community of Sabine Pass which was severely damaged by the storm, to repair, rehabilitate and reconstruct affordable rental housing stock in the impacted areas, to restore critical infrastructure damaged by the hurricane where no other funds were available, and to provide assistance to the City of Houston and Harris County for increased demands in public services, law enforcement and judicial services, and community development in areas that have experienced a dramatic population increase due to an influx of Katrina activities.

HOME Program

In the unfortunate event of a natural disaster, the Department may use deobligated HOME funds for disaster relief awards to communities in Texas that are non-Participating Jurisdictions. A Participating Jurisdiction receives HOME funds directly from the federal government and, therefore, would be ineligible for this assistance.

In accordance with Texas Administrative Code, Title 10, Part 1 Chapter 1, subchapter A §1.19, and TAC Section 2306.111, the Department may use HOME deobligated funds for disaster relief through its HOME Owner Occupied Housing Assistance Program. HOME disaster funds are designed specifically to assist eligible homeowners in the repair, rehabilitation and reconstruction of their existing home affected by the natural disaster, with emphasis on assisting those who have no other means of assistance, or as gap financing after any federal assistance. Assisted homeowners must have an income that is below 80% of

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the Area Median Family Income (AMFI), as defined by HUD, must occupy the property as their principal residence and must have been directly affected by the disaster.

There are two types of disaster declarations, a Federal declared disaster and a State declared disaster. Communities in federally declared disaster areas must first apply to the federal government in order to allow counties to access any available federal funds to provide assistance to eligible victims of the disaster. After 90 days, the Department's HOME deobligated funds may be made available to these areas. For State declared disasters, the Department receives a State disaster declaration from the Governor's Office. The Department will notify county officials in the affected areas of the availability of disaster relief funds for which they may apply.

Housing Trust Fund

In September 2007, the TDHCA Governing Board approved the allocation of \$1 million in the 2008 Housing Trust Fund Plan toward the Disaster Recovery Homeowner Repair Gap Financing Program. The purpose of the program is to assist otherwise qualified households, who are lacking only a small portion of funds to fulfill their full cost of construction to participate in the Community Development Block Grant (CDBG) Disaster Recovery Program, to reconstruct or complete their home from damages sustained during Hurricane Rita.

Single Family Bond

In June 2007, TDHCA announced the release of \$15.6 million in home loans made available to qualified homebuyers wishing to purchase a home within the 22 East Texas counties designated under the Gulf Opportunity Zone Act of 2005. In September 2007, an additional \$32 million in First Time Homebuyer Program funds were released for use within targeted areas including the 22-county area known as the Rita Go Zone.

Office of Colonia Initiatives

TDHCA released a NOFA in December 2005 for approximately \$1,800,000 of State of Texas Housing Trust Funds to organizations assisting individuals or families that were victims of Hurricane Rita. The funds were intended to help very low and extremely low income individuals and/or families (owner-builders), including persons with special needs purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction. Office of Colonia Initiatives staff continues to work with the nonprofit organizations awarded contracts to assist victims of Hurricane Rita.

Community Affairs Division

The Department reserves a portion of the State's Community Services Block Grant (CSBG) funds to provide emergency disaster relief to assist low-income persons at 125% and below of the Federal Poverty Income Guidelines that live in communities impacted by a natural or man-made disaster. The CSBG emergency disaster relief funds are distributed to CSBG eligible entities and are to be utilized to provide persons with emergency shelter, food, clothing, pharmaceutical supplies, bedding, cleaning supplies, personal hygiene items, and replacement of essential appliances including stoves, refrigerators and water heaters. In the event of a disaster, persons should contact the local CSBG eligible entity in the affected area.

TDHCA PROGRAM PLANS

The following TDHCA programs govern the use of available housing resources in meeting the housing needs of low income Texans. Program descriptions include information on the funding source, type of assistance, recipients, targeted beneficiaries, program activities, set-asides, and special initiatives.

HOME INVESTMENT PARTNERSHIPS PROGRAM

The HOME Investment Partnerships (HOME) Program is authorized under the Cranston-Gonzalez National Affordable Housing Act (42 USC Section 12701 et. seq.) and receives funding from the US Department of Housing and Urban Development (HUD).

The purpose of the HOME Program is to expand the supply of decent, safe, and affordable housing for extremely low, very low, and low income households, and to alleviate the problems of excessive rent burdens, homelessness, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing and the long-term goal of building partnerships between state and local governments and private and nonprofit organizations in order to strengthen their capacity to meet the housing needs of lower income Texans. To achieve this purpose, the HOME Program provides loans and grants to units of local government, public housing authorities (PHAs), community housing development organizations (CHDOs), nonprofit organizations, and for-profit entities. TDHCA provides technical assistance to all recipients of the HOME Program to ensure that all participants meet and follow state implementation guidelines and federal regulations.

According to §2306.111, Texas Government Code, in administering federal housing funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (Act), the Department shall expend 95 percent of these funds for the benefit of non-participating areas that do not qualify to receive funds under the Act directly from the United States Department of Housing and Urban Development. The remaining 5 percent of HOME funds may be expended in any area of the state, but only if the funding serves persons with disabilities. Additionally, this section mandates the allocation of HOME funds to each Uniform State Service Region using a regional allocation formula.

Description of Activities

There are four major activities in the HOME program including: Owner-Occupied (OCC) Rehabilitation Housing Assistance, Tenant-Based Rental Assistance (TBRA), Homebuyer Assistance (HBA), and Rental Housing Development (RHD).

Owner-Occupied Rehabilitation (OCC)

OCC Rehabilitation or reconstruction cost assistance is provided to homeowners for the repair or reconstruction of their existing home, which must be the principal residence of the homeowner. At the completion of the assistance, all properties must meet the Texas Minimum Construction Standards, the International Residential Code (IRC) and local building codes. If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code.

Tenant Based Rental Assistance (TBRA)

TBRA provides rental subsidy, security, and utility deposit assistance. TBRA allows the assisted tenant to live in and move to any dwelling unit with a right to continued assistance, in accordance with written tenant selection policies, for a period not to exceed 24 months. The tenant should also participate in a self-sufficiency program while receiving TBRA assistance.

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Homebuyer Assistance (HBA)

HBA includes down payment and closing cost assistance and is provided to homebuyers for the acquisition of affordable single family housing. This activity may also be used for the following:

- Construction costs associated with architectural barrier removal in assisting homebuyers with disabilities by modifying a home purchased with HOME assistance to meet their accessibility needs.
- Acquisition costs associated with Contract for Deed conversions to serve colonia residents.
- Acquisition or new construction costs for the replacement of manufactured housing.

Rental Housing Development (RHD)

RHD funds are awarded to eligible applicants for the development of affordable rental housing. Owners are required to make the units available to extremely low, very low, and low income families, and must meet long-term rent restrictions as defined by HUD. *Regional Allocation Formula*

All HOME funding awards under this plan are subject to Texas Government Code §2306.111 and as such will be distributed according to the established Regional Allocation Formula (RAF). The 2008 RAF distributes funding for all HOME-funded activities except federal and state mandates for set-asides for Community Housing Development Organizations (CHDO), Housing Programs for Persons with Disabilities, Contract for Deed Conversion, and Colonia Model Subdivision Loan Programs.

The following table demonstrates the combined regional funding distribution for all of the HOME activities distributed under the RAF.

Targeted Distribution of Funds under the RAF

Region	Large MSA within Region for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$1,806,138	5.6%	\$1,805,803	100.0%	\$335	0.0%
2	Abilene	\$1,185,677	3.7%	\$1,160,586	97.9%	\$25,091	2.1%
3	Dallas/Fort Worth	\$5,659,827	17.7%	\$1,737,644	30.7%	\$3,922,182	69.3%
4	Tyler	\$4,068,199	12.7%	\$3,172,779	78.0%	\$895,420	22.0%
5	Beaumont	\$1,880,350	5.9%	\$1,702,882	90.6%	\$177,468	9.4%
6	Houston	\$2,272,433	7.1%	\$932,492	41.0%	\$1,339,941	59.0%
7	Austin/Round Rock	\$1,361,443	4.3%	\$766,555	56.3%	\$594,888	43.7%
8	Waco	\$1,501,825	4.7%	\$798,792	53.2%	\$703,033	46.8%
9	San Antonio	\$1,633,550	5.1%	\$1,025,036	62.7%	\$608,514	37.3%
10	Corpus Christi	\$2,314,752	7.2%	\$1,917,919	82.9%	\$396,832	17.1%
11	Brownsville/Harlingen	\$5,624,379	17.6%	\$4,078,419	72.5%	\$1,545,960	27.5%
12	San Angelo	\$1,624,679	5.1%	\$1,133,886	69.8%	\$490,793	30.2%
13	El Paso	\$1,066,747	3.3%	\$592,177	55.5%	\$474,570	44.5%
	Total	\$32,000,000	100.0%	\$20,824,970	65.1%	\$11,175,030	34.9%

See the *State of Texas Consolidated Plan: One Year Action Plan* at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm#consolidated> for further details on the HOME Program. The HOME Program rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/home-division/index.htm>. For more information regarding single family activities, contact Sandy Garcia, Production Manager, Home Division, at (512) 475-1391 or sandy.garcia@tdhca.state.tx.us. For multifamily activity information, contact Barbara Skinner,

Multifamily Program Specialist, HOME Division, at (512) 475-1643 or barbara.skinner@tdhca.state.tx.us.

HOUSING TRUST FUND

The Housing Trust Fund (HTF) receives several sources of funding from the State of Texas including: multifamily bond issuance fees, loan repayments and other funds that are received and appropriated by the Department or Legislature. HTF is the only State-authorized program for affordable housing development. Funding is awarded as loans and grants to nonprofits; units of local government; public housing agencies; and for-profit entities. The targeted beneficiaries of the program are low, very low, and extremely low income households. Eligible program activities for the Housing Trust Fund include, but are not limited to the following:

- The acquisition, rehabilitation, and new construction of affordable rental housing. Housing Trust Funds are typically used as gap financing in developments and combined with other Department programs, like the HOME Program and Housing Tax Credit Program. Refinancing or rehabilitation of properties constructed within the past 5 years and previously funded by the Department are not eligible;
- The acquisition, rehabilitation, and new construction of affordable homeownership developments. Developments may be completed by a contracted developer or through Self-Help Construction; and
- Tenant-based rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance also includes security and utility deposits for rental of dwelling units.

While all of these are eligible activities under the program’s rule, not all of these activities will occur each year and Notices of Funding Availability (NOFAs) will be released identifying the activities for which funds can actually be applied.

Pursuant to §2306.111(d-1) of the Texas Government Code, HTF programs will be regionally allocated unless the funding allocation for that program is mandated by state statute and the program’s allocation represents less than 10 percent of the annual allocation for HTF; or serves people with disabilities; or do not exceed \$3 million.

Housing Trust Fund Program RAF

Region	Large MSA within Region for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$47,052	4.7%	\$19,531	41.5%	\$27,520	58.5%
2	Abilene	\$20,175	2.0%	\$12,087	59.9%	\$8,089	40.1%
3	Dallas/Fort Worth	\$222,580	22.3%	\$15,039	6.8%	\$207,541	93.2%
4	Tyler	\$65,181	6.5%	\$34,450	52.9%	\$30,731	47.1%
5	Beaumont	\$26,664	2.7%	\$16,327	61.2%	\$10,337	38.8%
6	Houston	\$185,413	18.5%	\$13,634	7.4%	\$171,779	92.6%
7	Austin/Round Rock	\$35,475	3.5%	\$3,116	8.8%	\$32,358	91.2%
8	Waco	\$55,523	5.6%	\$13,932	25.1%	\$41,591	74.9%
9	San Antonio	\$73,831	7.4%	\$9,422	12.8%	\$64,409	87.2%
10	Corpus Christi	\$49,076	4.9%	\$21,585	44.0%	\$27,491	56.0%
11	Brownsville/Harlingen	\$146,542	14.7%	\$57,775	39.4%	\$88,767	60.6%
12	San Angelo	\$33,137	3.3%	\$13,255	40.0%	\$19,882	60.0%

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13	El Paso	\$39,352	3.9%	\$5,713	14.5%	\$33,639	85.5%
	Total	\$1,000,000	100.0%	\$235,867	23.6%	\$764,133	76.4%

Note: At the time of publishing this document there were not sufficient funds in the Housing Trust Fund to require allocation under the formula. This formula and estimate of \$1,000,000 is merely a model of what the RAF would be for Housing Trust Fund dollars if the program funds were increased.

The HTF Rule and Funding Plan may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/home-division/htf/index.htm>. For more information on the HTF program, contact the HOME division at (512) 463-8921.

HOUSING TAX CREDIT PROGRAM

The Housing Tax Credit (HTC) Program receives authority from the US Treasury Department to provide tax credits to nonprofits, for-profit developers, and syndicators or investors. The targeted beneficiaries of the program are very low and extremely low income families at or below 60 percent Area Median Family Income (AMFI). The program's purpose is to encourage the development and preservation of rental housing for low income families, provide for the participation of for-profit and nonprofit organizations in the program, maximize the number of units added to the state's housing supply, and prevent losses in the state's supply of affordable housing.

The HTC Program was created by the Tax Reform Act of 1986 and is governed by the Internal Revenue Code of 1986 (the "Code"), as amended, 26 USC Section 42. It authorizes tax credits in the amount of \$1.95 per capita of the state population. Tax credits are also awarded to developments with tax-exempt bond financing and are made independent of the state annual tax credit allocation. TDHCA is the only entity in the state with the authority to allocate housing tax credits under this program. The State's distribution of the credits is administered by TDHCA's *Qualified Allocation Plan and Rules* (QAP), as required by the Code. Per Section 2306.67022, the Governor shall approve, reject, or modify and approve the Board-approved QAP not later than December 1 of each year.

To qualify for tax credits, the proposed development must involve new construction or undergo substantial rehabilitation of residential units, which is defined as at least \$12,000 per rental unit of construction hard costs, unless financed with TX-USDA-RHS, in which case the minimum is \$6,000. The credit amount for which a development may be eligible depends on the total amount of depreciable capital improvements, the percentage of units set aside for qualified tenants, and the funding sources available to finance the total development cost. Pursuant to the Code, a low income housing development qualifies for residential rental occupancy if it meets one of the following two criteria: (1) 20 percent or more of the residential units in the development are both rent-restricted and occupied by individuals whose income is 50 percent or less of AMFI; or (2) 40 percent or more of the residential units in the development are both rent-restricted and occupied by individuals whose income is 60 percent or less of AMFI. Typically, 60 to 100 percent of a development's units will be set aside for qualified tenants in order to maximize the amount of tax credits the development may claim.

Credits from the state annual tax credit allocation are awarded through a competitive application process. Each application must satisfy a set of threshold criteria and is scored based on selection criteria. The selection criteria referenced in the QAP is approved by the TDHCA Board each year. The board considers the recommendations of the TDHCA staff and determines a final award list. Tax credits to developments with tax-exempt bond financing are awarded through a similar application review process, but because these credits are not awarded from a limited credit pool, the process is noncompetitive and the selection criteria are not part of the application.

The Department requires recipients of tax credits to document the participation of minority-owned businesses in the development and management of tax credit developments, and has established a minimum goal of 30 percent participation. The selection criteria awards extra points to developments

owned by historically underutilized businesses (HUBs) or that have a plan in place for utilizing HUBs, and also development location criteria including areas located in colonias. Efforts are made in the planning process and allocation of funds to ensure the involvement of housing advocates, community-based institutions, developers, and local municipalities. The Department also encourages the participation of community development corporations and other neighborhood-based groups.

Regional Allocation Formula

In accordance with Senate Bill 264, TDHCA allocates HTC Program funds to each region using a need-based formula developed by the Department. Please see “2007 Regional Allocation Formula” in this section for further explanation. Using the 2007 Regional Allocation Formula, each region will receive the following amount of funding for use with activities subject to the formula. Funding figures will be included in the final document.

HTC Program RAF

Region	Large MSA within Region for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	\$ 1,598,378	4.7%	\$ 546,769	34.2%	\$ 1,051,609	65.8%
2	Abilene	\$ 845,577	2.4%	\$ 504,696	59.7%	\$ 340,882	40.3%
3	Dallas/Fort Worth	\$ 7,961,458	21.4%	\$ 542,000	6.8%	\$ 7,419,458	93.2%
4	Tyler	\$ 1,909,950	5.3%	\$ 1,086,106	56.9%	\$ 823,844	43.1%
5	Beaumont	\$ 884,466	2.5%	\$ 520,569	58.9%	\$ 363,896	41.1%
6	Houston	\$ 7,852,357	21.7%	\$ 587,589	7.5%	\$ 7,264,767	92.5%
7	Austin/Round Rock	\$ 2,001,194	4.7%	\$ 509,221	25.4%	\$ 1,491,973	74.6%
8	Waco	\$ 2,298,372	6.4%	\$ 512,473	22.3%	\$ 1,785,899	77.7%
9	San Antonio	\$ 2,690,143	6.0%	\$ 511,764	19.0%	\$ 2,178,378	81.0%
10	Corpus Christi	\$ 1,556,436	4.5%	\$ 661,722	42.5%	\$ 894,713	57.5%
11	Brownsville/Harlingen	\$ 4,556,233	12.7%	\$ 1,601,942	35.2%	\$ 2,954,291	64.8%
12	San Angelo	\$ 962,143	2.9%	\$ 505,756	52.6%	\$ 456,387	47.4%
13	El Paso	\$ 1,433,293	4.8%	\$ 509,392	35.5%	\$ 923,902	64.5%
	Total	\$ 36,550,000	100.0%	\$ 8,600,000	23.5%	\$ 27,950,000	76.5%

The estimated total tax credit ceiling for this table is \$43 million. As required by state statute, 15% (\$6,450,000) of that ceiling is deducted for the At-Risk Set-Aside, which is not awarded regionally. The balance of the estimated ceiling, \$36,550,000 is regionally allocated using this formula.

Projected HTC Program Funding for FY 2008: \$46,000,000

The Qualified Allocation Plan and Rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/multifamily/htc/index.htm>. For more information, contact the Multifamily Finance Production Division at (512) 475-3340.

MULTIFAMILY BOND PROGRAM

The Multifamily Bond Program issues tax-exempt and taxable housing mortgage revenue bonds (MRBs) under the Private Activity Bond Program (PAB) to fund loans to nonprofit and for-profit developers. The proceeds of the bonds are used to finance the construction, acquisition, or rehabilitation of multifamily properties with the targeted beneficiaries being very low, low, and moderate income households. Owners elect to set aside units in each development according to §1372, Texas Government Code. Rental developments must comply with Section 504 unit standards. Property owners are also required to offer a variety of services to benefit the residents of the development. Specific tenant programs must be designed to meet the needs of the current tenant profile and must be approved annually by TDHCA.

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TDHCA issues tax-exempt, multifamily MRBs through two different authorities defined by the Internal Revenue Code. Under one authority, tax-exempt bonds used to create housing developments are subject to the State's private activity volume cap. The State will set aside 22 percent of the annual private activity volume cap for multifamily developments. Approximately \$440 million in issuance authority will be made available to various issuers to finance multifamily developments, of which 20 percent, or approximately \$88 million, will be made available exclusively to TDHCA. On August 15th of each year, any allocations in the subcategories of the bond program that have not been reserved pool into one allocation fund. This is an opportunity for TDHCA to apply for additional allocation and which allows TDHCA to issue more bonds than the set-aside of \$88 million. PAB Issuance authority per individual development is allocated and administered by the Texas Bond Review Board (BRB). Initially, applications submitted to the BRB are allocated by a lottery. TDHCA, local issuers, local housing authorities, and other eligible bond issuers submit applications for specific developments on behalf of development owners. Applications submitted to TDHCA for the private activity bond program will be scored and ranked by priority and highest score. TDHCA will be accepting applications throughout the 2008 program year. Developments that receive 50 percent or more of their funding from the proceeds of tax-exempt bonds under the private activity volume cap are also eligible to apply for Housing Tax Credits.

Under the second authority, TDHCA may issue tax-exempt MRBs to finance properties that are owned entirely by nonprofit organizations. Bonds issued under this authority are exempt from the private activity volume cap. This is a noncompetitive application process and applications may be received at any time throughout the year. In addition to the set-asides above, 75 percent of development units financed under the 501(c)(3) authority must be occupied by households earning 80 percent or less of the area median income.

Projected Multifamily Bond Program Funding for FY 2007: \$140,000,000

The Multifamily Housing Revenue Bond Rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/multifamily/bond/index.htm>. For more information, contact the Multifamily Finance Production Division at (512) 475-3340.

FIRST TIME HOMEBUYER PROGRAM

The First Time Homebuyer Program receives funding from tax-exempt and taxable mortgage revenue bonds. The program offers 30-year fixed-rate mortgage financing at below-market rates for very low, low, and moderate income residents purchasing their first home or residents who have not owned a home within the preceding three years. Qualified applicants access First Time Homebuyer Program funds by contacting any participating lender, which is then responsible for the loan application process and subsequent loan approval. After closing, the lender transfers the mortgage loan to a Master Servicer designated by TDHCA.

The First Time Homebuyer Program provides homeownership opportunities for qualified individuals and families whose gross annual household income does not exceed 115 percent of AMFI (area median family income) limitations, based on IRS adjusted income limits, and the purchase price of the home must not exceed stipulated maximum purchase price limits. A minimum of 30 percent of program funds will be set aside to assist Texans earning 60 percent or less of program income limits. A portion of the funds will also be set-aside for borrowers earning between 61% and 80% of the program income limits.

Income limits for the program are set by the IRS Tax Code (1986) based on income figures determined by the US Department of Housing and Urban Development. The first time homebuyer restriction is established by federal Internal Revenue Service regulations, which also require that program recipients may be subject to a recapture tax on any capital gain realized from a sale of the home during the first nine years of ownership. Certain exceptions to the first time homebuyer restriction, income ceiling, and

maximum purchase price limitation apply in targeted areas. Such targeted areas are qualified census tracts in which 70 percent or more of the families have an income of 80 percent or less of the statewide median income and/or are areas of chronic economic distress as designated by the state and approved by the Secretaries of Treasury and Housing and Urban Development, respectively.

Projected Texas First Time Homebuyer Program funding for FY 2007: \$125,000,000

For more information, contact Eric Pike, Texas Homeownership Division, at (512) 475-3356 or eric.pike@tdhca.state.tx.us. To request a First Time Homebuyer information packet, please call 1-800-792-1119.

GRANT ASSISTANCE PROGRAM

The Texas Department of Housing and Community Affairs offers grant funds for down payment and closing cost assistance on a first-come, first-served basis for mortgage loans originated through the First Time Homebuyer Program. The Grant Assistance Program (GAP) currently provides up to 5 percent of the amount of the mortgage loan, but may vary depending on the program. Assistance is available to eligible borrowers whose incomes do not exceed 80 percent of the program income limits.

Projected Grant Assistance Program funding for FY 2007: Varies by bond issuance.

The Texas First Time Homebuyer Program Rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/homeownership/index.htm>. For more information, contact Eric Pike, Texas Homeownership Division, at (512) 475-3356 or eric.pike@tdhca.state.tx.us. To request a First Time Homebuyer information packet, please call 1-800-792-1119.

MORTGAGE CREDIT CERTIFICATE PROGRAM

A mortgage credit certificate (MCC) provides a tax credit that will reduce the federal income taxes, dollar-for-dollar, of qualified buyers purchasing a qualified residence. As a result, the MCC effectively reduces the monthly mortgage payment and increases the buyer's disposable income by reducing his or her federal income tax obligation. This tax savings provides a family with more available income to qualify for a loan and meet mortgage payment requirements.

The amount of the annual tax credit may equal 35 percent of the annual interest paid on a mortgage loan; however, the maximum amount of the credit cannot exceed \$2,000 per year. The credit cannot be greater than the annual federal income tax liability, after all other credits and deductions have been taken into account. MCC tax credits in excess of a borrower's current year tax liability may, however, be carried forward for use during the subsequent three years.

The MCC Program provides homeownership opportunities for qualified individuals and families whose gross annual household income does not exceed 115 percent of AMFI limitations, based on IRS adjusted income limits. In order to participate in the MCC Program, homebuyers must meet certain eligibility requirements and obtain a mortgage loan through a participating lender. The mortgage loan must be financed from sources other than tax-exempt revenue bonds. The mortgage may be a conventional, FHA, VA, or RHS loan at prevailing market rates, but may not be used in connection with the refinancing of an existing loan.

Projected Mortgage Credit Certificate Program funding for FY 2008: \$0

The Texas First Time Homebuyer Program Rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/homeownership/index.htm>. For more information, contact Eric Pike, Texas Homeownership Division, at (512) 475-3356 or eric.pike@tdhca.state.tx.us.

LOAN STAR LOAN PROGRAM

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The Loan Star Mortgage Program offers conventional, conforming first lien purchase mortgage loans, at market level interest rates, with second lien amortizing loans providing 8 percent down payment assistance. Target populations include low and moderate income households who may or may not have previously owned a home and require down payment assistance and seek minimal paperwork. Participating lenders statewide originate the mortgage loans.

The program is offered in conjunction with CitiMortgage Inc. using external market sources, and is intended to serve segments of the Texas homebuyer market not currently served by TDHCA's present tax-exempt bond program. An essential component of the Loan Star Mortgage Program is the down payment assistance achieved through a Fannie Mae MyCommunity second lien mortgage.

Projected Loan Star Lone Program funding for FY 2008: \$20,000,000

The Texas First Time Homebuyer Program Rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/homeownership/index.htm>. For more information, contact Martha Sudderth, Texas Homeownership Division, at (512) 475-3444 or martha.sudderth@tdhca.state.tx.us.

TEXAS STATEWIDE HOMEBUYER EDUCATION PROGRAM

The Texas Statewide Homebuyer Education Program (TSHEP) offers provider certification training to nonprofit organizations including Texas Agriculture Extension Agents, units of local government, faith-based organizations, CHDOs, community development corporations, community-based organizations, and other organizations with a proven interest in community building. In addition, a referral service for individuals interested in taking a homebuyer education class is available through TDHCA. The targeted beneficiaries of the program include extremely low, very low, low, and moderate income individuals; minority populations; and persons with disabilities.

To ensure uniform quality of the homebuyer education provided throughout the state, TDHCA contracts with training professionals to teach local nonprofit organizations the principles and applications of comprehensive pre- and post-purchase homebuyer education. The training professionals and TDHCA also certify the participants as homebuyer education providers.

Projected Texas Statewide Homebuyer Education Program funding for FY 2008: \$70,000.

For more information, contact Dina Gonzalez, Texas Homeownership Division at (512) 475-3993 or dina.gonzalez@tdhca.state.tx.us.

OFFICE OF COLONIA INITIATIVES

In 1996, in an effort to place more emphasis on addressing the needs of colonias, the Office of Colonia Initiatives (OCI) was created and charged with the responsibility of coordinating all Department and legislative initiatives involving border and colonia issues and managing a portion of the Department's existing programs targeted at colonias. The fundamental goal of the OCI is to improve the living conditions and lives of border and colonia residents, and to educate the public regarding the services that the Department has to offer.

Projected Office of Colonia Initiatives funding for FY 2007: \$7,200,000.

See the 2008-2009 Colonia Action Plan in Section 6 of this document for more information on the specific programs and activities of the Office of Colonia Initiatives. For additional information, contact Homero V. Cabello, Office of Colonia Initiatives, at 1-800-462-4251 or homero.cabello@tdhca.state.tx.us.

COMPREHENSIVE ENERGY ASSISTANCE PROGRAM

The Comprehensive Energy Assistance Program (CEAP) is funded by the U.S. Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP). TDHCA administers the program through a network of 49 CEAP Subrecipients. The Subrecipients consist of community action agencies, nonprofit entities, and units of local government. The targeted beneficiaries of the CEAP in Texas are households with an income at or below 125 percent of federal poverty guidelines, with priority given to the elderly; persons with disabilities; families with young children; households with the highest energy costs or needs in relation to income (highest home energy burden); and households with high energy consumption. Subrecipients must conduct outreach activities for these special needs populations.

The purpose of the CEAP is to provide utility assistance to eligible households. Additionally, some households qualify for repair, replacement, or retrofit of inefficient heating and cooling appliances. An applicant seeking utility assistance applies to the local 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 the eligible applicant. If the CEAP applicant is eligible and meets program priorities, the CEAP subrecipient makes a utility payment to a utility company through a vendor agreement with utility providers.

Services to Clients

There are four CEAP components:

- The Elderly and/or Disabled Component is designed to assist households with at least one member who is elderly and/or disabled. Households can receive up to four utility payments in a program year. Assistance is based on energy consumption in the previous 12 months, energy burden (percentage of income used for energy), and the income category for which the household qualifies.
- The Co-Payment Component is designed to assist households by providing client education, budget counseling, and assisting households with utility payments for six to twelve months.
- The Heating and Cooling Component is designed to address inefficient heating and cooling appliances through repair, replacement, or retrofit for households that have high energy consumption
- The Energy Crisis Component is designed to provide one-time utility assistance to households during a period of extreme temperatures or an energy supply shortage. In some instances, Energy Crisis funds can be used to address natural disasters.

The allocation formula for the Comprehensive Energy Assistance program uses the following five factors and corresponding weights to distribute its funds by county: county non-elderly poverty household factor (40 percent); county elderly poverty household factor (40 percent); county inverse poverty household density factor (5 percent); county median income variance factor (5 percent); and county weather factor (10 percent).

Comprehensive Energy Assistance Program funding for FY 2008: \$38,700,738.

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The Energy Assistance plans and rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/ea/index.htm>. For more information, contact Amy Oehler, Energy Assistance Section, at (512) 475-3864 or amy.oehler@tdhca.state.tx.us. To apply for CEAP, call 1-877-399-8939, toll free, using a land phone.

WEATHERIZATION ASSISTANCE PROGRAM

The Weatherization Assistance Program (WAP) is funded by the U.S. Department of Energy and the U.S. Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP). The Texas Department of Housing and Community Affairs (the Department) administers the WAP through a network of 33 WAP Subrecipients. The Subrecipients consist of community action agencies, nonprofit entities, and units of local government. The targeted beneficiaries of the CEAP in Texas are households with an income at or below 125 percent of federal poverty

The purpose of the WAP is 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.

Partnerships between the Department and the following Investor Owned Utility companies: Entergy, El Paso Electric, Southwest Electric Power Company, Southwest Public Service provide weatherization measures to low income utility customers. These partnerships increase the total number of low-income households that receive weatherization services and allow the Department to leverage the federal weatherization funds with the utility company funds.

Services to Clients

To help consumers control energy costs, WAP funds the installation of weatherization measures such as attic and wall insulation, energy efficient appliances, weather-stripping, caulking, and replacement of inefficient heating and cooling units. WAP also provides energy conservation education. In order to provide weatherization measures for a dwelling, the household must meet income-eligibility criteria and the measures must meet specific energy-savings goals.

The allocation formula for the Weatherization Assistance program uses the following five factors and corresponding weights to distribute its funds by county: county non-elderly poverty household factor (40 percent); county elderly poverty household factor (40 percent); county inverse poverty household density factor (5 percent); county median income variance factor (5 percent); and county weather factor (10 percent).

Projected Weatherization Assistance Program funding for FY 2007: \$13,484,871.

The Energy Assistance plans and rules may be accessed from the TDHCA website at <http://www.tdhca.state.tx.us/ea/index.htm>. For more information, contact Amy Oehler, Energy Assistance Section, at (512) 475-3864 or amy.oehler@tdhca.state.tx.us. To apply for weatherization, call 1-888-606-8889, toll free, using a land phone.

EMERGENCY SHELTER GRANTS PROGRAM

The Emergency Shelter Grants Program (ESGP) receives funding from the US Department of Housing and Urban Development and awards grants to units of local government and private nonprofit entities that provide shelter and related services to homeless persons and/or intervention services to persons at risk of homelessness. Activities eligible for ESGP funding include the rehabilitation or conversion of buildings for use as emergency shelters for the homeless; the provision of essential services to the homeless; costs related to the development and implementation of homeless prevention activities; costs related to

operation administration; and costs related to maintenance, operation, rent, repairs, security, fuel, equipment, insurance, utilities, food and furnishings.

ESGP funds are reserved according to the percentage of poverty population identified in each of the 13 state service regions. The top scoring applications in each region are recommended for funding, based on the amount of funds available for that region. Any application that receives a score below 70 percent of the highest raw score from the region is not considered for funding.

Projected Emergency Shelter Grants Program funding for FY 2008: TBD.

See the *State of Texas Consolidated Plan: One Year Action Plan* at <http://www.tdhca.state.tx.us/ppa/housing-center/pubs.htm#consolidated> for further details on the ESG Program. For more information, contact Jesse Mitchell, Community Services Section, at (512) 475-3850 or jesse.mitchell@tdhca.state.tx.us.

COMMUNITY SERVICES BLOCK GRANT PROGRAM

The Community Services Block Grant Program (CSBG), received from the U.S. Department of Health and Human Services (USHHS), is utilized to fund CSBG-eligible entities and to fund activities that support the intent of the CSBG Act. Ninety-percent of the funds are targeted to low income individuals and funds are also utilized to provide assistance to Native Americans and migrant and seasonal farmworkers. Income eligibility is for persons at or below 125 percent of the current federal income poverty guidelines issued by USHHS.

CSBG provides administrative support to 46 CSBG-eligible entities. The funding assists in providing essential services, including access to child care, health and human services, nutrition, transportation, job training and employment services, education services, activities designed to make better use of available income, housing services, emergency assistance, activities to achieve greater participation in the affairs of the community, youth development programs, information and referral services, activities to promote self-sufficiency; and other related services.

Five percent of the State's CSBG allocation is used to fund innovative projects that address the causes of poverty, promote client self-sufficiency, or promote community revitalization; to provide emergency disaster relief assistance to persons impacted by a natural or man-made disaster; to provide funding to organizations serving Native Americans and migrant or seasonal farm workers; and to provide funding for other eligible discretionary activities as authorized by the Department's Board.

Allocations to the 46 CSBG-eligible entities are based on two factors: (1) the number of persons living in poverty within the designated service delivery area for each organization and (2) a calculation of population density. Poverty population is given 98 percent weight, and the ratio of inverse population density is given 2 percent weight. The formula also includes a base award for each organization before the factors are applied, as well as a floor, or minimum award. In FY 2008, the Department will utilize the 2000 Census population figures at 125 percent of poverty, a base of \$50,000, and a floor at \$150,000.

Community Services Block Grant Program funding for FY 2008: TBD.

Additional documentation, including the CSBG Plan, may be accessed at the TDHCA website at <http://www.tdhca.state.tx.us/pubs.htm#cs>. For more information, contact Jesse Mitchell, Community Services Section, at (512) 475-3850 or jesse.mitchell@tdhca.state.tx.us.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

The Section 8 Housing Choice Voucher Program provides rental assistance payments on behalf of low income individuals and families, including the elderly and persons with disabilities. The program provides financial assistance for decent, safe and sanitary housing to eligible households whose gross

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income does not exceed 50% of HUD's median income guidelines. HUD requires 75% of all new households admitted to the program be at or below 30% of the area median income. Eligibility is based on several factors, including the household's income, size and composition, citizenship status, assets, medical and childcare expenses. Qualified households may select the best available housing through direct negotiations with landlords to ensure accommodations that meet their needs. TDHCA pays approved rent amounts directly to property owners.

The Section 8 Housing Choice Voucher Program currently contracts with units of local governments, community action agencies and public housing authorities to assist with the administration of approximately 1,000 housing choice vouchers. The Department administers vouchers in 28 counties.

Projected Section 8 Program funding for FY 2008: *The dollar amount will be included in the final version of this document*

Additional documentation, including the Section 8 Plan, may be accessed at the TDHCA website at <http://www.tdhca.state.tx.us/pubs.htm#sec8>. For more information, contact the Section 8 Program at (512) 475-3892.

MANUFACTURED HOUSING DIVISION

The Manufactured Housing Division regulates the manufactured housing industry in Texas by ensuring that manufactured homes are well constructed, safe, and correctly installed; by providing consumers with fair and effective remedies; and by providing economic stability to manufacturers, retailers, installers, and brokers. The Division licenses manufactured housing professionals and maintains records of the ownership, location, real or personal property status, and lien status (on personal property homes) on manufactured homes. It also records tax liens on manufactured homes. Because of its regulatory nature, the Division has its own governing board and executive director.

Relying on a team of trained inspectors operating from eight locations around the state, the Division inspects manufactured homes throughout the state. Those inspectors also assist TDHCA by inspecting properties for the Portfolio Management and Compliance Division and by inspecting and processing license applications for migrant farm worker housing facilities. The Division also handles approximately 1,200 consumer complaints a year, many of those requiring investigation and enforcement action.

For more information, contact the Manufactured Housing Division at 1-800-500-7074.

TDHCA ALLOCATION PLANS

The Department has developed allocation formulas for many TDHCA programs in order to target available housing resources to the neediest households in each uniform state service region. These formulas are based on objective measures of need in order to ensure an equitable distribution of funding.

2008 REGIONAL ALLOCATION FORMULA

Sections 2306.111(d) and 2306.1115 of the Government Code require that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME, HTC, and HTF funding. This RAF objectively measures the affordable housing need and available resources in 13 State Service Regions used for planning purposes. Within each region, the RAF further targets funding to rural and urban areas.

As a dynamic measure of need, the RAF is revised annually to reflect updated demographic and resource data; respond to public comment; and better assess regional housing needs and available resources. The RAF is submitted annually for public comment.

Slightly modified versions of the RAF are used for HOME, HTC, and HTF because the programs have different eligible activities, households, and geographical service areas. For example, because 95 percent of HOME funding must be set aside for non-PJs, the HOME RAF only uses need and available resource data for non-PJs.

For the 2008 fiscal year, the RAF uses the following 2000 US Census data to calculate this regional need distribution:

- **Poverty:** Number of persons in the region who live in poverty.
- **Cost Burden:** Number of households with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- **Overcrowded Units:** Number of occupied units with more than one person per room.
- **Units with Incomplete Kitchen or Plumbing:** Number of occupied units that do not have all of the following: sink with piped water; range or cook top and oven; refrigerator, hot and cold piped water, flush toilet, and bathtub or shower.

There are a number of other funding sources that can be used to address affordable housing needs. To mitigate any inherent inequities in the regional allocation of these funds, the RAF compares each region's level of need to its level of resources. In the 2007 fiscal year, resources from the following sources were used in the RAF: HTC, HTF, HUD (HOME, Housing Opportunities for Persons with AIDS (HOPWA), public housing authority (PHA) capital funding, and Section 8 funding), Bond Financing, and United States Department of Agriculture (USDA) housing programs.

Please see the HOME, HTC, and HTF program sections for distribution figures. For more information on the RAF and further description of the formula, please contact the Housing Resource Center, at (512) 475-3976.

TDHCA GOALS AND OBJECTIVES

The Strategic Plan goals reflect program performance based upon measures developed with the State's Legislative Budget Board and Governor's Office of Budget and Planning. The goals are also based upon Riders attached to the Department's Appropriations. The Department believes that the goals and objectives for the various TDHCA programs should be consistent with its mandated performance requirements.

The State's Strategic Planning and Performance Budgeting System (SPPB) is a goal-driven, results-oriented system. The system has three major components including strategic planning, performance budgeting, and performance monitoring. As an essential part of the system, performance measures are part of TDHCA's strategic plan, are used by decision makers in allocating resources, are intended to focus the Department's efforts on achieving goals and objectives, and are used as monitoring tools providing information on accountability. Performance measures are reported quarterly to the Legislative Budget Board.

The State's Strategic Planning and Performance Budgeting System is based on a two-year cycle; goals and targets are revisited each biennium. The targets reflected in this document are based on the Department's requests for 2006–2007.

Because all applicants for funding are encouraged to apply for and leverage funds from multiple agency programs, HUD funds are frequently leveraged along with funds from other federal and State sources. TDHCA HOME Program funds may be used in conjunction with other TDHCA programs, however, each program area reports its performance separately.

AFFORDABLE HOUSING GOALS AND OBJECTIVES

The following goals address performance measures established by the 79th Legislature. Refer to program-specific statements outlined in the Action Plan portion of this document for strategies that will be used to accomplish the goals and objectives listed below. Included for each strategy are the target numbers for the 2007 goal, the 2007 actual performance, and the goal for 2008.

Goals one through five are established through interactions between TDHCA, the Legislative Budget Board, and the Legislature. They are referenced in the General Appropriations Act enacted during the most recent legislative session.

GOAL 1: TDHCA will increase and preserve the availability of safe, decent and affordable housing for very low, low, and moderate income persons and families.

Strategy 1.1 Provide mortgage financing and homebuyer assistance through the Single Family Mortgage Revenue Bond Program				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of single family households assisted through the First Time Homebuyer Program	1,727	2,727	158%	2,016
Explanation of Variance: Loan originations were higher in 2007 than anticipated due to the receipt of additional volume cap. Additionally, increased market interest rates generated higher demand for the Department's lower interest rate products.				

Strategy 1.2 Provide funding through the HOME Program for affordable single family housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of single family households assisted with HOME funds	1,834	413	22.5%	1,255
Explanation of Variance: The total number of assisted units was lower than anticipated in 2007 due to a biennial funding cycle for 2006-2007 which resulted in fewer applications for the homebuyer assistance and tenant-based rental assistance activities.				

Strategy 1.3 Provide funding through the HTF program for affordable single family housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of single family households assisted through the Housing Trust Fund	100	115	115%	228
Explanation of Variance: Performance was higher than anticipated in 2007 due to the closing out of previous fiscal year contracts and an elevated amount of technical assistance provided by the Department to ensure that the nonprofit organizations are meeting their performance benchmarks.				

Strategy 1.4 Provide tenant-based rental assistance through Section 8 certificates				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of multifamily households assisted with tenant-based rental assistance	2,100	1,064	51%	1,494
Explanation of Variance: The targeted number was developed prior to a change in how the U.S. Department of Housing and Urban Development provides Section 8 Housing Assistance Program (HAP) funds. Provided funds are no longer based on the number of Housing Choice Vouchers available. In addition, the target was developed prior to the transfer of 560 vouchers to a local public housing authority.				

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Strategy 1.5 Provide federal tax credits to develop rental housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of multifamily households assisted with HTCs	18,832	12,998	69%	12,291

Explanation of Variance: Approximately \$3.7 million credits out of the 2007 credit allocation were awarded to developments that had previously received credits in 2004. These additional credits were due to substantial increases in construction costs associated with hurricane disasters. Because of the increase in construction costs, fewer units are produced on an annual basis.

Strategy 1.6 Provide funding through the HOME Program for affordable multifamily housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of multifamily households assisted with HOME funds	647	144	22.3%	500

Explanation of Variance: The HOME and Housing Tax Credit programs operated concurrent application cycles. Due to the competitiveness of the cycle, not all applicants that applied for both sources of funds were competitive in the Housing Tax Credit round and eligible for an award. Therefore, the awarding of HOME funds was limited to those applications that were competitive and received a Housing Tax Credit award.

Strategy 1.7 Provide funding through the Housing Trust Fund for affordable multifamily housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of multifamily households assisted through the Housing Trust Fund	255	0	0%	784

Explanation of Variance: The 2007 funding for the HTF was utilized to meet the statutorily required minimum of \$3,000,000 funding for the Bootstrap Loan Program.

Strategy 1.8 Provide funding through the Mortgage Revenue Bond Program for affordable multifamily housing				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of households assisted through the Mortgage Revenue Bond Program	3,500	2,997	86%	2,393

Explanation of Variance: Due to overall market and economic conditions, the bond program has not been as attractive as it has been in the past. This led to a reduction in the applications submitted. In the past, the Department has received several applications towards the end of the year which enable the Department to CarryForward additional allocation into the following year. In 2006, the Department did not receive additional applications at the end of the year and therefore did not have the additional allocation to CarryForward into 2007. This reduced the total amount of bond allocation issued by the Department. The increase in construction costs also affected the bond program, by reducing the number of units produced due to higher costs.

GOAL 2: TDHCA will promote improved housing conditions for extremely low, very low, and low income households by providing information and technical assistance.

Strategy 2.1 Provide information and technical assistance to the public through the Public Affairs Division and the Housing Resource Center				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of information and technical assistance requests completed	5,400	3,824	70.8%	4,900
Explanation of Variance: A new toll free number for the entire agency has resulted in more calls being directly routed to the appropriate division instead of being forwarded to the Housing Resource Center. The Department has also continued to improve its website so that potential requests can be resolved via the internet instead of through the Housing Resource Center.				

Strategy 2.2 To provide technical assistance to colonias through field offices				
Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of on-site technical assistance visits conducted annually from the field offices	600	963	160.5%	800
Explanation of Variance: Technical assistance visits to units of local government and nonprofit organizations continued to increase due to various changes to the programs administered through the field offices.				

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target*
Number of colonia residents receiving assistance	1,700	827	48.6%	7,650

Explanation of Variance: The Border Field Offices focus on empowering the non-profit organizations to work with the colonia residents on a one-on-one basis. The units of local government and non-profit organizations provide the direct assistance to colonia residents on behalf of the Department. Therefore, the number of direct contacts between the Department and the colonia residents has decreased.

*Note that the definition of the measure has changed for 2008 and now includes assistance provided through the Colonia Self-Help Centers as well as the Colonia field offices.

Strategy Measure (C)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of entities and/or individuals receiving informational resources	1,200	631	52.5%	1,000

Explanation of Variance: Marketing of Colonia Initiatives, including the number of entities and/or individuals requesting and receiving information resources is a key performance goal. These figures were expected to increase upon the release of the Texas Bootstrap Loan Program NOFA in 2007. However, the new Texas Bootstrap Reservation System has delayed the release of the NOFA.

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GOAL 3: TDHCA will improve living conditions for the poor and homeless and reduce the cost of home energy for very low income Texans.

Strategy 3.1

Administer homeless and poverty-related funds through a network of community action agencies and other local organizations so that poverty-related services are available to very low income persons throughout the state.

Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of persons assisted through homeless and poverty related funds.	440,000	565,822	128.6%	512,244

Explanation of Variance: This measure is impacted by the number of persons assisted through the Community Services Block Grant (CSBG) and Emergency Shelter Grants Program (ESGP). The Department revised the reporting procedures for CSBG subrecipients allowing subrecipients to report all individuals assisted by all programs operated by the CSBG subrecipient. As a result of this change, CSBG subrecipients reported a higher number of persons assisted through homeless and poverty related funds.

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of persons assisted that achieve incomes above poverty level.	2,000	3,087	154.4%	2,200

Explanation of Variance: Each year, CSBG subrecipients make improvements in the self-sufficiency case management programs they operate and this enables them to be able to transition a larger number of persons out of poverty. The Department expects that annually, CSBG contractors will assist more persons to transition out of poverty. However, it is difficult to estimate several years in advance how many persons CSBG subrecipients will enroll in self-sufficiency case management programs and how many of them will complete the program and finally transition out of poverty.

Strategy Measure (C)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of shelters assisted through the Emergency Shelter Grant Program.	70	76	108.5%	73

Explanation of Variance: This measure represents the number of contracts issued under the Emergency Shelter Grants Program (ESGP). At the time the measure was established, the Department anticipated funding fewer subrecipients than the number actually funded. It is difficult to determine how many contracts will be awarded. The number of contracts awarded varies by the amount of funds requested and awarded and the ranking of the applications based upon their score.

Strategy 3.2

Administer the state energy assistance programs by providing grants to local organizations for energy related improvements to dwellings occupied by very low income persons and for assistance to very low income households for heating and cooling expenses and energy related emergencies.

Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of households assisted through the Comprehensive Energy Assistance Program.	63,200	83,529	132%	51,502

Explanation of Variance: High home energy prices contributed to higher demand for energy assistance.

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of dwelling units weatherized through the Weatherization Assistance Program.	4,800	5,404	112%	3,004

Explanation of Variance: The Department is above target for the year as a result of advantageous weather enabling higher weatherization production.

GOAL 4: TDHCA will ensure compliance with the Texas Department of Housing and Community Affairs' federal and state program mandates.

Strategy 4.1

The Portfolio Management and Compliance Division will monitor and inspect for Federal and State housing program requirements.

Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Total number of monitoring reviews conducted.	4,554	5,555	122%	5,072

Explanation of Variance: More onsite monitoring reviews were scheduled than were anticipated.

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Total number of units administered	237,195	229,744	96.9%	242,766

Strategy 4.2

The Portfolio Management and Compliance Division will administer and monitor federal and state subrecipient contracts for programmatic and fiscal requirements.

Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Total number of monitoring reviews conducted	9,220	11,474	124.5%	12,715

Explanation of Variance: All monitoring requests received by the Department require a review. Monitoring reviews include set up and draw reviews. As contracts near their expiration date, contractors submit more set up and draw reviews in order to complete them before contract expiration. Because several contracts expired during the quarter, the Department received a larger number of draw requests than projected.

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of contracts administered	350	358	102.3%	430

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GOAL 5: To protect the public by regulating the manufactured housing industry in accordance with state and federal laws.

Strategy 5.1 Provide titling and licensing services in a timely and efficient manner.				
Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of manufactured housing statements of ownership and location issued.	89,000	86,035	96.7%	90,000

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of licenses issued	4,435	2,602	58.7%	4,000

Explanation of Variance: Performance is under the targeted projection due to receiving fewer applications for new and renewed licenses.

Strategy 5.2 Conduct inspections of manufactured homes in a timely manner.				
Strategy Measure (A)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of routine installation inspections conducted	8,000	4,603	57.5%	6,000

Explanation of Variance: The Department has experienced a higher level of non-routine inspection activity including an increased amount of affordable housing property inspections and complaint/investigative inspections. In addition, there have been several inspectors out on extended leave due to injuries. Although the measure is below the targeted number, the Department is meeting the program's statutory requirement to inspect at least 25% of installation inspections received. The actual year-to-date inspection rate is 30.76%.

Strategy Measure (B)	2007 Target	2007 Actual	% of Goal	2008 Target
Number of non-routine installation inspections conducted	2,500	2,100	84%	2,200

Explanation of Variance: Education and enforcement keep the number of inspections with deviations low, which is desirable.

Strategy 5.3 To process consumer complaints, conduct investigations, and take administrative actions to protect the general public and consumers.				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Number of complaints resolved	1,700	1,052	61.9%	1,250

Explanation of Variance: The Department has made an effort to encourage the informal resolution of customer concerns prior to their issues becoming official complaints. The effort has helped to reduce the number of complaints officially received, which reduces the number of complaints resolved.

Goals Six through Eight are established in legislation as riders to TDHCA's appropriations, as found in the General Appropriations Act.

GOAL 6: TDHCA will target its housing finance programs resources for assistance to extremely low income households.*

Strategy 6.1 The housing finance divisions shall adopt an annual goal to apply \$30,000,000 of the division's total housing funds toward housing assistance for individuals and families earning less than 30 percent of median family income.				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Amount of housing finance division funds applied towards housing assistance for individuals and families earning less than 30 percent of median family income.	\$30,000,000	\$19,535,526	65.12%	\$30,000,000

Explanation of Variance: Fewer Section 8 vouchers and a lower than anticipated number of units assisted by the HOME program contributed to the 2007 performance for this target. HUD transferred a large number of Section 8 vouchers to a large consortium and also adjusted the methodology for distributing Section 8 funds. Both of these contributed to the lower than anticipated assistance for households earning less than 30 percent of median family income. In addition, a double funding cycle for the HOME single family funds resulted in fewer applications for 2007, the second year of the double year cycle.

Note: For more information, see Rider 4 of TDHCA's Appropriations as found in HB 1 (General Appropriations Act), 79th Legislature, Regular Session.

GOAL 7: TDHCA will target its housing finance resources for assistance to very low income households.*

Strategy 7.1 The housing finance divisions shall adopt an annual goal to apply no less than 20% of the division's total housing funds toward housing assistance for individuals and families earning between 31% and 60% of median family income.				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Percent of housing finance division funds applied towards housing assistance for individuals and families earning between 31% and 60% of median family income.	20%	50.5%	253%	20%

Explanation of Variance: The majority of TDHCA housing programs serve households under 60% of median family income.

GOAL 8: TDHCA will provide contract for deed conversions for families who reside in a colonia and earn 60 percent or less of the applicable area median family income

Strategy 8.1 Help colonia residents become property owners by converting their contracts for deed into traditional mortgages.				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Amount of TDHCA funds applied towards contract for deed conversions for colonia	\$2,000,000	\$0	0%	\$2,000,000

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families earning less than 60% of median family income.				
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Explanation of Variance: TDHCA has delayed the release of additional funds pending changes to encourage the efficient allocation of program funds. TDHCA has updated the program rules and anticipates the release of a NOFA for the 2006 and 2007 funding in FY 2008.

Note: For more information, see Rider 11 of TDHCA's Appropriations as found in HB 1 (General Appropriations Act), 79th Legislature, Regular Session.

The following TDHCA-designated goal addresses the housing needs of persons with special needs.

GOAL 9: TDHCA will work to address the housing needs and increase the availability of affordable and accessible housing for persons with special needs.

Strategy 9.1				
Dedicate no less than 20% of the HOME project allocation for applicants that target persons with special needs.				
Strategy Measure	2007 Target	2007 Actual	% of Goal	2008 Target
Percent of the HOME project allocation awarded to applicants that target persons with special needs.	20%	24%	122%	20%

Strategy 9.2:

Compile information and accurately assess the housing needs of and the housing resources available to persons with special needs.

Strategy Activities:

- Assist counties and local governments in assessing local needs for persons with special needs.
- Work with State and local providers to compile a statewide database of available affordable and accessible housing.
- Set up a referral service to provide this information at no cost to the consumer.
- Promote awareness of the database to providers and potential clients throughout the State through public hearings, the TDHCA web site as well as other provider web sites, TDHCA newsletter, and local informational workshops.

Strategy 9.3:

Increase collaboration between organizations that provide services to special needs populations and organizations that provide housing.

Strategy Activities:

- Promote the coordination of housing resources available among State and federal agencies and consumer groups that serve the needs of special needs populations.
- Continue working with agencies, advocates, and other interested parties in the development of programs that will address the needs of persons with special needs.
- Increase the awareness of potential funding sources for organizations to access, to serve special needs populations, through the use of TDHCA planning documents, web site, and newsletter.

Strategy 9.4:

Discourage the segregation of persons with special needs from the general public.

Strategy Activities:

- Increase the awareness of the availability of conventional housing programs for persons with special needs.
- Support the development of housing options and programs, which enable persons with special needs to reside in noninstitutional settings.

SECTION 5: PUBLIC PARTICIPATION

TDHCA strives to include the public in policy, program, and resource allocation decisions that concern the Department. This section outlines how the public is involved with the preparation of the plan and includes a summary of public comment.

- *Participation in TDHCA Programs*: Discusses efforts to ensure that individuals of low income and their community-based institutions participate in TDHCA programs
- *Citizen Participation in Program Planning*: Discusses affirmative efforts to ensure the involvement of individuals of low income and their community-based institutions in the allocation of funds and the planning process

PARTICIPATION IN TDHCA PROGRAMS

Texas is an economically, regionally, and demographically diverse state. The Department recognizes this by establishing criteria to distribute funds based on the priorities established in TDHCA's governing statute. It is incumbent upon TDHCA to increase the public's awareness of available funding opportunities so that its funds will reach those in need across the state.

Below are the approaches taken by TDHCA to achieve this end:

- Throughout the year, the TDHCA staff reaches out to interested parties at informational workshops and conferences across the state to share information about TDHCA programs. Organizations interested in becoming affordable housing providers are actively encouraged to contact TDHCA for further technical assistance in accessing TDHCA programs.
- The Department's Division of Public Affairs is responsible for media releases, attends conferences and maintains conference information booths on behalf of TDHCA, as well as coordinates media interviews and speaking events.
- The TDHCA *Program Guide* provides a comprehensive, statewide housing resource guide for both individuals and organizations across the state. The *Program Guide* provides a list of housing and housing-related programs operated by TDHCA, HUD, and other federal and state agencies.
- The TDHCA website, through its provision of timely information to consumers, is one of TDHCA's most successful marketing tools and affordable housing resources.
- TDHCA also operates a listserv e-mail service, where subscribed individuals and entities can receive email updated on TDHCA information, announcements, and trainings.
- TDHCA is involved with a wide variety of committees and workgroups, which serve as valuable resources to gather input from people working at the local level. These groups share information on affordable housing needs and available resources and help TDHCA to prioritize these needs.

CITIZEN PARTICIPATION IN PROGRAM PLANNING

The Department values and relies on community input to direct resources to meet its goals and objectives. In an effort to provide the public with an opportunity to more effectively give input on The Department's policies, rules, planning documents, and programs, the Department has consolidated its public hearings. In addition to these annual public hearings, individual program sections hold various hearings and program workshops throughout the year. Furthermore, the TDHCA Board accepts extensive public comment on programmatic and related policy agenda items at monthly board meetings.

The Department ensures that all programs follow the citizen participation and public hearing requirements as outlined in the Texas Government Code. Hearing locations are accessible to all who choose to attend and are held at times accessible to both working and non-working persons. The Department maintains a voluntary membership e-mail list which it uses to notify all interested parties of public hearings and public comment periods. Additionally, pertinent information is posted as an announcement in the *Texas Register*, in *Breaking Ground* (the TDHCA newsletter), and on TDHCA's website. Participation and comments are encouraged and can be submitted either at a public hearing or in writing via mail, fax, or email.

PREPARATION OF THE PLAN

Section 2306.0722 of the Texas Government Code mandates that the Department meet with various organizations concerning the prioritization and allocation of the Department's housing resources prior to preparation of the Plan. As this is a working document, there is no time at which the Plan is static. Throughout the year, research was performed to analyze housing needs across the state, focus meetings were held to discuss ways to prioritize funds to meet specific needs, and public comment was received at program-level public hearings as well as at every Governing Board meeting.

The Department met with various organizations concerning the prioritization and allocation of the Department's resources, and all forms of public input were taken into account in its preparation. Several program areas conducted workgroups and public hearings in order to receive input that impacted policy and shaped the direction of TDHCA programs.

Communication between TDHCA and numerous organizations results in a participatory approach towards defining strategies to meet the diverse affordable housing needs of Texans. In March 2006, TDHCA mailed out the 2006 Community Needs Survey to approximately 2,500 state representatives and senators, mayors, county judges, city managers, housing/planning departments, USDA local offices, public housing authorities, councils of governments, community action agencies, and Housing Opportunities for Persons with AIDS (HOPWA) agencies to gather preliminary input on local perceptions of housing, community affairs, and community development needs. TDHCA uses this input when preparing the Plan and in program planning and development.

PUBLIC HEARING

From October to December 2007, TDHCA worked on the draft version of the *2008 State of Texas Low Income Housing Plan and Annual Report*. Once completed, the draft will be submitted to the TDHCA Board of Directors at the December 2007, board meeting for approval, and then released for public comment in accordance with §2306.0732 and §2306.0661. The hearing notice will be published in the January 4, 2008, edition of the *Texas Register*. The formal citizen participation process for the *2008 State of Texas Low Income Housing Plan and Annual Report* will begin January 4, 2008, and end February 6, 2008. The public is encouraged to give input regarding the Plan in writing during the public comment period or at the public hearing to be held in Austin at the following time and location:

Public Hearing:

Tuesday, January 8, 2008
10:00am
Rusk Building
208 E. 10th St.
Austin, TX 78701

Comment may also be submitted to:

Mail: Housing Resource Center
TDHCA
PO Box 13941
Austin, TX 78711

Fax: (512) 475-3746

E-mail: brenda.hull@tdhca.state.tx.us

PUBLIC COMMENT

All public comment and the Department's reasoned responses will be included here in the final version of this document.

SECTION 6: 2008-2009 COLONIA ACTION PLAN

POLICY GOALS

In 1996, in an effort to place more emphasis on addressing the needs of colonias, the TDHCA Office of Colonia Initiatives (OCI) was established to administer and coordinate efforts to enhance living conditions in colonias along the Texas-Mexico border region. OCI's fundamental goal is to improve the living conditions of colonia residents, and to educate the public regarding the services that TDHCA has to offer.

The OCI Division was created to do the following:

- Expand housing opportunities to colonia and border residents living along the Texas-Mexico border.
- Increase knowledge and awareness of programs and services available through the Department.
- Implement initiatives that promote improving the quality of life of colonia residents and border communities.
- Empower and enhance organizations that serve the targeted colonia population.
- Provide consumer education to colonia and border residents.
- Develop cooperative working relationships between other state, federal, and local organizations to leverage resources and exchange information.
- Promote comprehensive planning of communities along the Texas-Mexico border to meet current and future community needs.
- Solicit input from colonia residents on major funding decisions that will affect border communities.

OVERVIEW

The US-Mexico border region is dotted with hundreds of rural subdivisions called colonias, which are characterized by high levels of poverty and substandard living conditions. Several different definitions of colonias are used by various funding sources and agencies due to differing mandates. Generally, these definitions include the concepts that colonias are rural and lacking services such as public water and wastewater systems, paved streets, drainage, and safe and sanitary housing. Colonias are mostly unincorporated communities located along the US-Mexico border in the states of California, Arizona, New Mexico, and Texas, with the vast majority located in Texas

While new colonias continue to develop, many have been in existence for over 40 years. A few colonia developments began as small communities of farm laborers employed by a single rancher or farmer while others originated as town sites established by land speculators as early as the 1900s. A majority of the colonias, however, emerged in the 1950s as developers discovered a large market of aspiring homebuyers who could not afford to purchase in cities or who did not have access to conventional financing mechanisms.

POPULATION AND POVERTY

Data updated in 2006 by the Texas Office of the Attorney General recorded 2,060 colonias in 30 counties within 150 miles of the Texas-Mexico border. However, approximately 1,700 of those colonias are concentrated in just seven counties directly abutting the international boundary. It should be noted that these figures represent only the documented colonias. There may be many small, rural colonias that have gone unidentified. Currently, Hidalgo County has the largest number of colonias, with 847 counted in

2006. The 13 counties running along the Texas-Mexico border have an average Hispanic or Latino population of 74.2 percent, as compared to the statewide average of 34.6 percent.

Between 2000 and 2005 many Texas border counties experienced rapid population growth. El Paso, Maverick, Webb, Zapata, Starr, Hidalgo, and Cameron counties have shown an average increase in population of 12.3 percent, surpassing the state average increase of 9.6 percent. Simultaneously, a 5.4 percent average decrease in population has actually occurred in several counties that are adjacent to the border counties over the same time period. Counties experiencing large decreases include Hudspeth, Reeves, Pecos, Terrell, Edwards, Kinney, Duval, Jim Hogg, and Brooks.⁵²

2003 US Census data placed the median household income for Texas at \$39,967, while the median household income for the Texas-Mexico border counties averaged a much lower \$26,606. Zavala County, near the border, posted the lowest median household income at \$18,553. In the larger border-region cities El Paso, McAllen, Brownsville, Corpus Christi, and Laredo, the average median values of owner-occupied housing units in 2000 was \$69,640. Laredo had the highest home values at \$77,900.²

The particular need for affordable housing in the border region can be largely attributed to the poverty level of the rapidly growing population. Counties along the Texas-Mexico border shoulder some of the highest poverty rates in the state. According to 2003 US Census data, the poverty level in the state of Texas stood at 16.2 percent, while the average poverty level of counties along the Texas-Mexico border was 25.3 percent. Furthermore, the four counties with the greatest number of colonias (Hidalgo, El Paso, Starr, and Cameron), had an average poverty level of 31.5 percent, nearly double the state rate. Counties like Dimmit and Starr, at 32.7 percent and 36.2 percent respectively, were even higher.

HOUSING

According to a review completed by the Texas Comptroller's Office, most homebuilders would have a difficult time constructing houses for a sale price of less than \$60,000 to \$70,000. Houses in this price range would typically be affordable to workers earning \$12 to \$14 an hour (assuming a housing debt to income ratio of 33 percent with no additional debts). Some builders indicate that it is difficult to build lower-priced homes because many of the construction costs, including the cost of acquisition and site development, are fixed, regardless of the size of the home.³ Land acquisition and development can add \$10,000 to \$20,000 to the cost of a house. For a new subdivision, the acquisition cost may be only a few thousand dollars per lot. But the 1998 cost of infrastructure—such as streets, power, and water—could be as much as \$15,000 per lot or higher in some areas.⁴

Owner-builder construction in colonias can face additional significant obstacles. First, federal rules, such as those that govern the HOME Program, prohibit the use of affordable housing funds to acquire land unless the affordable structure is to be built within a short, sometimes impractical time. Second, lenders are typically reluctant to lend funds for owner-builder construction because these borrowers may have little or no collateral. Third, owner-builders may not be sufficiently skilled and may end up building substandard housing without appropriate supervision or guidance. Some governmental housing programs limit the private housing market from serving border residents because they offer no profit incentive for housing professionals, builders, lenders, and real estate agents to serve low-wage workers. Program administrators acknowledge profit as an ingredient in encouraging home construction.

¹ U.S. Census Bureau: State and County Quickfacts. <http://quickfacts.census.gov/qfd/states/48000.html> (Viewed July 27, 2006).

² U.S. Census Bureau: State and County Quickfacts. <http://quickfacts.census.gov/qfd/states/48000.html>. Viewed July 27, 2006.

³ *Bordering the Future: Homes of Our Own*. Windows on State Government. Texas Comptroller of Public Accounts. July 1998. Interview with Clark Wilson Homebuilders, November 20, 1997.

⁴ *Bordering the Future: House Prices Reflect Production Costs*. Window on State Government. Texas Comptroller of Public Accounts. July 1998. Interview with Clark Wilson Homebuilders, Nov. 20, 1997.

COLONIA NEEDS ASSESSMENT

The following table displays housing quality data from 14 of the 28 colonias served by the Department’s Self-Help Center Program. This sample of data, reported by the participating counties as part of their colonia needs assessments, provides a representation of the acute need for housing-related assistance in these communities. Each county conducted its own needs assessment by different methods, and not all counties reported specific data figures. As a result, the table below contains only the data that is available. For the purposes of this assessment, “substandard homes” refers to structures in need of repair or rehabilitation, while “dilapidated homes” refers to structures necessitating total replacement.

Housing Structural Quality by Colonia, Selected Border Counties

County	Colonia Name	Total Number of Homes	Number of Substandard Homes	Number of Dilapidated Homes
Hidalgo	Chula Vista Acres	34	15	5
Hidalgo	El Flaco Chiquito	105	37	13
Hidalgo	El Charro	143	81	15
Hidalgo	Schroeder	210	90	22
Hidalgo	Southside	59	24	30
Val Verde	Val Verde Park Estates	865	113	22
Val Verde	Cienegas Terrace	510	108	36
Val Verde	Villareal	12	3	0
Val Verde	Escondido Estates	33	0	0
Starr	Casita/Garciasville	28	3	7
Starr	Camargito	91	32	13
Starr	La Puerta 1 & 2	210	43	33
Starr	Refugio	54	16	5
Starr	West Alto Bonito	174	41	35
TOTAL		2528	606 24% of total	236 9.3% of total

PROGRAM PLAN

TDHCA, through its Office of Colonia Initiatives, administers various programs designed to improve the lives of colonia residents. This action plan outlines how various initiatives and programs will be implemented for 2008.

FY 2008 and 2009 Office of Colonia Initiatives Funding

	Estimated Available Funding for FY 2008	Estimated Available Funding for FY 2009
Texas Bootstrap Loan Program	\$6,500,000	\$3,000,000
Colonia Self-Help Centers	\$1,800,000	\$1,800,000
Total	\$8,300,000	\$4,800,000

TEXAS BOOTSTRAP LOAN PROGRAM

The Texas Bootstrap Loan Program is a statewide loan program that funds certified non-profit organizations and enables owner-builders to purchase real estate, and construct or renovate a home. In 2001 the 77th Legislature amended this program under Senate Bill 322 with a legislative directive requiring continuation of an Owner Builder Loan Program through 2010. TDHCA is required under Section 2306.753(d) of the Texas Government Code, to set aside two-thirds of the available funds for

owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The Texas Water Development Board has determined that eligible areas are Economically Distressed Areas (EDA) which have a median household income that is not greater than 75% of the median state household income. For the purposes of the Texas Bootstrap Loan Program EDAs will be identified by census tracts. The eligible census tracts are listed on the TDHCA website. The remaining one-third will be available statewide.

The program promotes and enhances homeownership for low income Texans by providing funds to purchase or refinance real property on which to build new residential housing, construct new residential housing or improve existing residential housing throughout Texas. Participating owner-builders must provide a minimum of 60 percent of the labor required to build or rehabilitate the home. Section 2306.753(a) of the Texas Government Code directs TDHCA to establish a priority in directing funds to Owner-Builders with an annual income of less than \$17,500. The maximum loan amount using TDHCA funds may not exceed \$30,000 per Owner-Builder. The total amount of loans made with TDHCA and any other source may not exceed a combined \$60,000 per household. The Department committed over \$8.4 million over the biennium (FY 2006-2007) to implement this initiative from the Housing Trust Fund. TDHCA released another NOFA in the amount of \$6,500,000 for FY 2008, the funding for which will be available starting November 1, 2007 .

In an effort to increase the Department's ability to more promptly assist households and expend funds, and to better disseminate Bootstrap funds across a broader network of providers, the Office of Colonia Initiatives (OCI) Division of TDHCA is utilizing a new reservation system concept similar to the TDHCA First Time Homebuyer Bond Program in order to distribute the new allocation of funding. This type of system will allow program funds to be expended more rapidly and efficiently. Under the reservation system, participating nonprofit organizations must be certified by TDHCA as a Nonprofit Owner-Builder Housing Program (NOHP) in accordance with Section 2306.755 of the Texas Government Code and must execute a Loan Origination Agreement with the Department in order to assure full compliance with program rules and guidelines. After being certified as an NOHP, the NOHP will then be able to submit individual loan applications to TDHCA on behalf of the owner-builder applicant on a first-come, first-served basis. A nonprofit will be allowed to have up to ten reservations at any given time. Funds may be reserved up to twelve months for each reservation; however, the nonprofits are required to meet specific performance benchmarks within that time period in order to retain the funding. The Department is actively working with Bootstrap recipients to garner feedback on the new system to ensure the ongoing success of the program.

COLONIA SELF-HELP CENTERS

In 1995, the 74th Legislature passed Senate Bill 1509 (Texas Government Code Subchapter Z §2306.581 - §2306.591), a legislative directive to establish colonia self-help centers (SHCs) in Cameron/Willacy, Hidalgo, Starr, Webb, and El Paso counties. This program also allows the Department to establish a colonia SHC in any other county if the county is designated as an economically distressed area. Five colonias in each county are identified to receive concentrated attention from its respective SHC. Operation of the colonia SHCs is managed by a local nonprofit organization, local community action agency, or local housing authority that has demonstrated the capacity to operate a center.

These colonia SHCs provide concentrated on-site technical assistance to low and very low income individuals and families in a variety of ways including housing, community development activities, infrastructure improvements, outreach, and education. In addition, on-site technical assistance is provided to colonia residents. Key services to the designated colonias within each county receive technical assistance in the areas of housing rehabilitation; new construction; surveying and platting; construction skills training; tool library access for self-help construction; housing finance; credit and debt counseling; grant writing; infrastructure constructions and access; contract for deed conversions; and capital access

for mortgages to improve the quality of life for colonia residents in ways that go beyond the provision of basic infrastructure. The three OCI border field offices provide technical assistance to the counties and SHCs.

The Colonia SHC program serves 28 colonias in the five counties designated by statute and two additional counties of Maverick and Val Verde, which were added to the program at the discretion of the Department. Each county has approximately 10,000 colonia residents who qualify as beneficiaries of these services. The Department contracts with the counties, which in turn subcontract with nonprofit organizations to administer the Colonia SHC program or specific activities. The counties oversee the implementation of contractual responsibilities and ensure accountability. Before selecting subcontractor organizations, County officials conduct a needs assessment to prioritize needed services within the colonias and publish a Request for Proposal (RFP) to provide these services.

The Department designates a geographic area to receive the services provided by the Colonia SHCs based upon funding proposals submitted by the counties. In consultation with the Colonia Residents Advisory Committee (C-RAC) and the appropriate unit of local government, the Department designates up to five colonias in each service area to receive concentrated attention from the Colonia SHCs. The C-RAC is a committee of colonia residents appointed by the TDHCA Governing Board which advises the Board regarding the needs of colonia residents and the types of programs and activities which should be undertaken by the Colonia SHCs. Each county nominates two colonia residents to serve on the committee, one of whom must reside in a colonia being serviced by the county's SHC. The committee also includes a primary and secondary representative from each county. The Department's Board of Directors appointed the current members to the C-RAC on September 19, 2001. The C-RAC meets thirty days before a contract is scheduled to be considered for award by the Board in order for their concerns, if any, to be relayed to and evaluated by the Board.

Each SHC is allocated sufficient funds to provide services within the designated colonias, and if applicable, can provide limited assistance outside the service area.

The operations of the colonia SHCs are funded by HUD through the Texas Community Development Block Grant Program 2.5 percent colonia set-aside, which is approximately \$2.2 million per year. The CDBG funds are transferred to the Department through a memorandum of understanding with the Office of Rural Community Affairs. CDBG funds can only be provided to eligible units of general local governments. Therefore, the Department must enter into a contract with each participating county government. The Department provides administrative and general oversight to ensure programmatic and contract compliance. In addition, colonia SHCs are encouraged to seek funding from other sources to help them achieve their goals and performance measures.

BORDER FIELD OFFICES

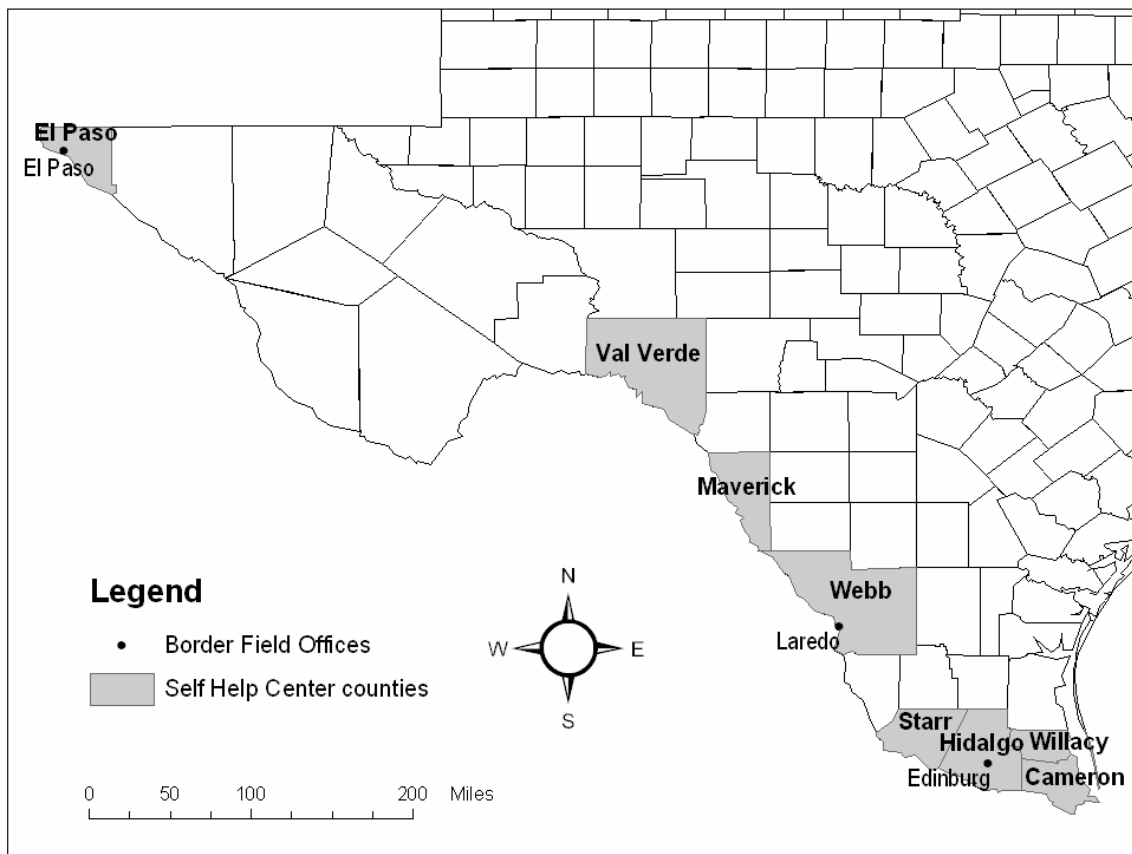
OCI manages three border field offices located in El Paso, Laredo, and Edinburg. These border field offices administer, at the local level, various OCI programs and services and provide technical assistance to nonprofits, for profits, units of general local government, other community organizations and colonia residents along the Texas-Mexico border region. Current funding for the border field offices is partially funded from General Revenue, Bond Funds, and the HOME and CDBG programs. OCI will continue to maintain these three border field offices and will continue to act as a liaison between non-profit organizations and units of local government.

Occasionally, there is funding available to communities and organizations in the colonias to support local programs. Technical assistance is provided to help non-profit organizations locate funding and learn to write successful grant proposals. However, the most important aspect in seeking funding is the ability of the communities or organizations to manage the funding within its rules and program guidelines. Many communities and organizations struggle to deliver services to their colonia residents due to capacity and

financial issues. Therefore, the Border Field Offices anticipate approximately 800 technical assistance visits for FY 2008 to nonprofit organizations and units of local government.

The Department recognizes the need for consumer education on topics such as filing homestead exemptions, knowing one's property rights under Contract for Deed, and the challenges of homeownership. The Department will provide homebuyers under its Contract for Deed Conversion and Texas Bootstrap Loan Programs a form to file their homestead exemption at the time of closing on their homes. The Department will create an educational campaign regarding House Bill 1823, which was passed during the 79th Regular Legislative Session (2005) and allows residential contract for deed buyers to have their contracts converted from a deed to a deed in trust. The educational campaign will be directed to colonia residents along the Texas-Mexico Border Region. Education services are available through the colonia SHCs and OCI Border Field Offices.

Border Field Offices and Colonia Self Help Centers



SECTION 7: TEXAS STATE AFFORDABLE HOUSING CORPORATION ANNUAL ACTION PLAN

According to Section 2306.0721(h), the Texas State Affordable Housing Corporation (TSAHC) Annual Action Plan must be included as part of the 2008 SLIHP.

DRAFT TSAHC ACTION PLAN

The draft 2008 TSAHC Action Plan will be published separately from the rest of the draft 2008 SLIHP. However, when the final version of the SLIHP is published, the final version of the TSAHC plan will be included here.

APPENDIX A

LEGISLATIVE REQUIREMENTS FOR THE STATE OF TEXAS LOW INCOME HOUSING PLAN AND ANNUAL REPORT

SEC. 2306.072. ANNUAL LOW INCOME HOUSING REPORT

- 1) Not later than March 18 of each year, the director shall prepare and submit to the board an annual report of the department's housing activities for the preceding year.
- 2) Not later than the 30th day after the date the board receives the report, the board shall submit the report to the governor, lieutenant governor, speaker of the house of representatives, and members of any legislative oversight committee.
- 3) The report must include
 - a) a complete operating and financial statement of the department;
 - b) a comprehensive statement of the activities of the department during the preceding year to address the needs identified in the state low income housing plan prepared as required by Section 2306.0721, including:
 - i) a statistical and narrative analysis of the department's performance in addressing the housing needs of individuals and families of low and very low income;
 - ii) the ethnic and racial composition of families and individuals applying for and receiving assistance from each housing-related program operated by the department; and
 - iii) the department's progress in meeting the goals established in the previous housing plan;
 - c) an explanation of the efforts made by the Department to ensure the participation of persons of low income and their community-based institutions in department programs that affect them;
 - d) a statement of the evidence that the Department has made an affirmative effort to ensure the involvement of individuals of low income and their community-based institutions in the allocation of funds and the planning process;
 - e) a statistical analysis, delineated according to each ethnic and racial group served by the department, that indicates the progress made by the department in implementing the state low income housing plan in each of the uniform state service regions; and
 - f) an analysis, based on information provided by the fair housing sponsor reports required under Section 2306.0724 and other available data, of fair housing opportunities in each housing development that receives financial assistance from the department that includes the following information for each housing development that contains twenty or more living units:
 - i) the street address and municipality or county where the property is located;
 - ii) the telephone number of the property management or leasing agent;
 - iii) the total number of units reported by bedroom size;
 - iv) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually as reported by each housing sponsor;
 - v) the rent for each type of rental unit, reported by bedroom size;
 - vi) the race or ethnic makeup of each project;
 - vii) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;
 - viii) the number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income;
 - ix) a statement as to whether the department has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights, or the United State Department of Justice; and

Appendix A: Legislative Requirements

- x) a statement as to whether the development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities and procedures that include meeting occupancy requirements or rent restrictions imposed by deed restrictions or financing agreements.
- g) a report on the geographic distribution of low income housing tax credits, the amount of unused low income housing tax credits, and the amount of low income housing tax credits received from the federal pool of unused funds from other states.
- h) A statistical analysis, based on information provided by the fair housing sponsor reports required by Section 2306.0724 and other available data, of average rents reported by county.

SEC. 2306.0721. LOW INCOME HOUSING PLAN

- 1) Not later than March 18 of each year, the director shall prepare and submit to the board an integrated state low income housing plan for the next year.
- 2) Not later than the 30th day after the date the board receives the plan, the board shall submit the plan to the governor, lieutenant governor, and the speaker of the house of representatives.
- 3) The plan must include:
 - a) an estimate and analysis of the housing needs of the following populations in each uniform state service region:
 - i) individuals and families of moderate, low, very low income, and extremely low income;
 - ii) individuals with special needs; and
 - iii) homeless individuals;
 - b) a proposal to use all available housing resources to address the housing needs of the populations described by Subdivision (1) by establishing funding levels for all housing-related programs;
 - c) an estimate of the number of federally assisted housing units available for individuals and families of low and very low income and individuals with special needs in each uniform state service region;
 - d) a description of state programs that govern the use of all available housing resources;
 - e) a resource allocation plan that targets all available housing resources to individuals and families of low and very low income and individuals with special needs in each uniform state service region;
 - f) a description of the department's efforts to monitor and analyze the unused or underused federal resources of other state agencies for housing-related services and services for homeless individuals and the department's recommendations to endorse the full use by the state of all available federal resources for those services in each uniform state service region;
 - g) strategies to provide housing for individuals and families with special needs each uniform state service region;
 - h) a description of the department's efforts in each uniform state service region to encourage the construction of housing units that incorporate energy efficient construction and appliances;
 - i) an estimate and analysis of the housing supply in each uniform state service region;
 - j) an inventory of all publicly and, where possible, privately funded housing resources, including public housing authorities, housing finance corporations, community housing development organizations, and community action agencies;
 - k) strategies for meeting rural housing needs;
 - l) a biennial action plan
 - i) addresses current policy goals for colonia programs, strategies to meet the policy goals, and the projected outcomes with respect to policy goals; and
 - ii) includes information on the demand for contract-for-deed conversions, services from self-help centers, consumer education, and other colonia resident services in counties some part of which is within 150 miles of the international border of this state;

- m) a summary of public comments received at a hearing under this chapter or from another source that concern the demand for colonia resident services described by Subdivision (12); and
 - n) any other housing-related information that the state is required to include in the one-year action plan of the consolidated plan submitted annually to the United States Department of Housing and Urban Development.
- 4) The priorities and policies in another plan adopted by the department must be consistent to the extent practical with the priorities and policies established in the state low income housing plan.
 - 5) To the extent consistent with federal law, the preparation and publication of the state low income housing plan shall be consistent with the filing and publication deadlines required of the department for the consolidated plan; and
 - 6) The director may subdivide the uniform state service regions as necessary for the purposes of the state low income housing plan.
 - 7) The department shall include the plan developed by the Texas State Affordable Housing Corporation under Section 2306.566 in the department's resource allocation plan under Subsection (c)(5).

SEC. 2306.0722. PREPARATION OF PLAN AND REPORT

- 1) Before preparing the annual low income housing report under Section 2306.072 and the state low income housing plan under Section 2306.0721, the department shall meet with regional planning commissions created under Chapter 391, Local Government Code, representatives of groups with an interest in low income housing, nonprofit housing organizations, managers, owners, and developers of affordable housing, local government officials, and residents of low income housing. The department shall obtain the comments and suggestions of the representatives, officials, and residents about the prioritization and allocation of the department's resources in regard to housing.
- 2) In preparing the annual report under Section 2306.072 and the state low income housing plan under Section 2306.0721, the director shall:
 - a) coordinate local, state, and federal housing resources, including tax exempt housing bond financing and low income housing tax credits;
 - b) set priorities for the available housing resources to help the neediest individuals;
 - c) evaluate the success of publicly supported housing programs;
 - d) survey and identify the unmet housing needs of persons the department is required to assist;
 - e) ensure that housing programs benefit a person regardless of the persons' race, ethnicity, sex, or national origin;
 - f) develop housing opportunities for individuals and families of low and very low income and individuals with special housing needs;
 - g) develop housing programs through an open, fair, and public process;
 - h) set priorities for assistance in a manner that is appropriate and consistent with the housing needs of the populations described by Section 2306.0721(c)(1);
 - i) incorporate recommendations that are consistent with the consolidated plan submitted annually by the state to the United States Department of Housing and Urban Development;
 - j) identify the organizations and individuals consulted by the department in preparing the annual report and state low income housing plan and summarize and incorporate comments and suggestions provided under Subsection (a) as the board determines to be appropriate;
 - k) develop a plan to respond to changes in federal funding and programs for the provision of affordable housing;
 - l) use the following standardized categories to describe the income of program applicants and beneficiaries:
 - i) to 30 percent of area median income adjusted for family size;
 - ii) more than 30 to 60 percent of area median income adjusted for family size;
 - iii) more than 60 to 80 percent of area median income adjusted for family size;

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- iv) more than 80 to 115 percent of area median income adjusted for family size; or
- v) more than 115 percent of area median income adjusted for family size; and
- m) use the most recent census data combined with existing data from local housing and community service providers in the state, including public housing authorities, housing finance corporations, community housing development organizations, and community action agencies.
- n) provide the needs assessment information compiled for the report and plan to the Texas State Affordable Housing Corporation.

SEC. 2306.0723. PUBLIC PARTICIPATION REQUIREMENTS

- 1) The Department shall consider the annual low income housing report to be a rule and in developing the report shall follow rulemaking procedures required by Chapter 2001.

SEC. 2306.0724. FAIR HOUSING SPONSOR REPORT

- 1) The department shall require the owner of each housing development that receives financial assistance from the department and that contains 20 or more living units to submit an annual fair housing sponsor report. The report must include the relevant information necessary for the analysis required by Section 2306.072(c)(6). In compiling the information for the report, the owner of each housing development shall use data current as of January 1 of the reporting year.
- 2) The department shall adopt rules regarding the procedure for filing the report.
- 3) The department shall maintain the reports in electronic and hard-copy formats readily available to the public at no cost.
- 4) A housing sponsor who fails to file a report in a timely manner is subject to the following sanctions, as determined by the department:
 - a) denial of a request for additional funding; or
 - b) an administrative penalty in an amount not to exceed \$1,000, assessed in the manner provided for an administrative penalty under Section 2306.6023.

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Review and approval of the distribution of the PY 2008 Low Income Home Energy Assistance Program (LIHEAP) 1st quarter award and the Emergency Contingency award for the Comprehensive Energy Assistance Program (CEAP), contract period January 1 to December 31, 2008, and approval of temporary (90 day) contracts for Community Action Corporation of South Texas and Hidalgo County Human Services to continue to provide CEAP and WAP services in the former service territory of Community Action Council of South Texas until a new service provider can be identified through the Request For Application (RFA) process.

Required Action

Staff recommends Board approval of the distribution of the CEAP portion of the PY 2008 LIHEAP grant award as well as the holdover funding from the PY 2007 Emergency Contingency Award by the formula detailed in 10 TAC §6.201-§6.214 and approved by HHS. Staff also recommends the approval of the temporary contracts for the 90-day period.

Background

The United States Department of Health and Human Services (HHS) awards LIHEAP funds annually to the State of Texas. On October 25, 2007, HHS awarded \$33,108,134, to the State of Texas, based on a Continuing Resolution (CR). Congress has not completed the final FY 2008 Appropriations Bill. In addition the staff recommends inclusion of \$2,026,172 from PY 2007; the Department had elected to holdover the CEAP portion of the PY 2007 Emergency Contingency award in order to begin the program year on January 1, 2008 (Congress had not yet passed a CR guaranteeing funding for the new year). Historically, EA has allocated approximately 75% of available LIHEAP funding to the Comprehensive Energy Assistance Program (CEAP), the maximum allowable 15% to the Weatherization Assistance Program (WAP), and the remaining 10% to program administration, at both the subrecipient and state level, as allowed by HHS.

EA is requesting approval to obligate the CEAP portion (75%) of the 1st Quarter award based on the CR, the PY 2007 Emergency Contingency, and the remaining CEAP portion of the PY 2008 LIHEAP appropriation by the U.S. Congress, and subsequent signature by the President. EA is also requesting approval of the 90 day temporary contracts to continue services while a new service provider is identified through the Request For Application (RFA) process.

CEAP Subrecipient Network

The CEAP subrecipient network is comprised of 49 agencies that provide energy assistance services to all 254 counties in the state.

CEAP can provide utility assistance to eligible client households. Additionally, some households can qualify for repair, replacement and/or retrofit of inefficient heating and cooling unit or appliances in their household or rental unit. An applicant seeking utility assistance applies to the CEAP subrecipient for assistance. The subrecipient determines income-eligibility, prioritizes status (this includes a review of the billing history to determine energy burden and consumption), and determines which CEAP component is the most appropriate for that eligible applicant. If the CEAP applicant is eligible and meets program priorities, the CEAP Subrecipient makes utility payment to utility company through a vendor agreement.

Fund Allocation Procedure and Recommendation

Staff recommends the following actions:

Allocation of \$28,966,789 (\$26,940,618 from the 1st Quarter award and \$2,026,171 from the Emergency Contingency) to the 49 CEAP subrecipients by the formula approved in 10 TAC §6.201-§6.214 and approved by HHS. The remaining 15% of available funds will be distributed with the Weatherization Assistance Program (WAP) contracts which will be presented to the Board in the spring of 2008. A list of each subrecipient and their formula-based award amount is attached.

Approval of the CEAP and WAP temporary (90 day) contracts to continue services for low-income households in the former service territory of Community Action Council of South Texas. Two agencies are currently providing the services through the end of the program year.

CEAP 2008 Board Action Request
December 20, 2007

CEAP Subrecipient	Contract Amount	Notes
Aspermont	\$217,917	
Bee CAA	\$120,401	
Bexar County HHS	\$1,743,645	
Big Bend CAC	\$238,630	
Brazos Valley CAA	\$703,645	
CA Corp ST	\$141,138	
CA Corp ST (Temp)*	\$58,628	Temporary 90 day contract
Hidalgo CCSA (Temp)*	\$60,342	Temporary 90 day contract
CAC Victoria	\$402,637	
CAI Hays, Caldwell	\$159,025	
Cameron-Willacy	\$825,498	
CAP, Inc.	\$217,644	
Caprock CAA	\$288,999	
CC Reeves	\$108,876	
CC South Central	\$573,073	
CC Southwest TX	\$333,989	
GenTx Opp	\$328,894	
Combined CA	\$230,972	
Community Services of Northeast Texas	\$190,580	
Concho Valley CAA	\$280,409	
CSA of South TX	\$239,171	
CSI	\$1,030,376	
Dallas CDHHS	\$2,148,758	
EAC Gulf Coast	\$73,275	
El Paso CAP	\$1,150,355	
EOAC	\$591,734	
Fort Worth Parks & CS	\$1,207,141	
Galveston CCAC	\$713,121	
GETCAP	\$1,159,203	
Hidalgo CCSA	\$1,250,245	
Hill Country CAA	\$500,192	
Kleberg County HS	\$238,769	
Lubbock, City of, Community Development Dept.	\$389,572	
Montgomery CEAI	\$243,937	
Northeast TX Opp.	\$327,552	
Nueces CCAA	\$490,079	
Panhandle	\$975,608	
Pecos CCAA	\$123,957	
PHS	\$714,991	
Rolling Plains	\$468,370	
San Angelo-Tom Green CHD	\$159,751	
Senior Citizens Texarkana	\$153,828	
Sheltering Arms SS	\$3,577,118	
South Plains	\$244,486	
Texas Neighborhood Svc	\$397,683	
Texoma COG	\$267,788	
Travis County HHS	\$723,992	
Tri-County	\$541,618	
Webb County CAA	\$370,486	
West Texas Opportunities	\$784,559	
Williamson-Burnet	\$127,219	
	\$28,966,789	

* The two temporary contracts are for a 90 day period while Department Staff completes the RFA for a new subrecipient in the former Community Action Council South Texas area. After staff completes the review and scoring process, the recommendation for a new subrecipient and the associated funding will be submitted to the Board for approval.

COMMUNITY AFFAIRS DIVISION

BOARD ACTION REQUEST

December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of a Balance of State Continuum of Care (BoS CoC) Homeless Request for Proposals funded with General Revenue funds.

Required Action

Presentation, Discussion and Possible Approval of a Balance of State Continuum of Care (BoS CoC) Homeless Request for Proposals funded with General Revenue funds.

Background

Annually, the U.S. Department of Housing and Urban Development (HUD), makes available for competition Continuum of Care (CoC) funds to non profit organizations and units of general local government. The primary purpose of the Continuum of Care funds is to address the problems of homelessness in a comprehensive manner in concert with other federal programs. The application process for CoC funds is highly competitive and arduous. The application requirements set forth require an extensive community planning process in order to successfully compete for funding. Consequently, only a limited number of rural communities in Texas apply for CoC funding and a very limited number of applicants are funded. As a result, over \$14 million in CoC funds, which was allocated by formula to Texas and could potentially be allocated to successful competitive Texas applications, is "forfeited" and awarded to other states. The application to HUD for CoC funds for these "balance of state" counties is submitted each year by the Texas Homeless Network, on behalf of the State.

During the 80th Regular Texas Legislative Session, the Legislature appropriated \$218,000 (\$109,000 per each year) of the 2008 and 2009 biennium for the Texas Department of Housing and Community Affairs (the Department) to support the State's effort to assist rural communities in their efforts to access federal CoC funds. Specifically, the appropriated funds are intended to be used to provide technical assistance to rural homeless coalitions representing approximately 182 Texas counties. Types of technical assistance that are necessary to improve the CoC submission for these areas include homeless counts/surveys, compilation of a housing and services inventory, identification of housing gaps, and development of homeless discharge plan strategies for their area.

The Department intends to outsource this contract for delivery of the technical assistance and is proposing to do so through a Request for Proposals (RFP) process. Eligible applicant organizations can include any for profit or non profit organization or units of general local government. The RFP will be publicized through the Texas Market Place, the Department's e-mail distribution list, homeless coalitions, homeless provider organizations, One Star list serve, and other appropriate means.

The Department will accept proposals from applicant organizations meeting the requirements of the RFP to provide funding to support the delivery of technical assistance to units of local government, homeless coalitions, and non profit organizations. Organizations receiving the technical assistance must be located in a Balance of State area (refer to Appendix I) and applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development.

The deadline for receipt of proposals is proposed to be February 13, 2008. It is anticipated that the recommendation regarding the successful proposal or proposals will be presented to the Board in April 2008.

The Department will accept proposals from eligible applicant organizations to provide funding to support the delivery of technical assistance to units of local government and non profit organizations, in Balance of State areas, applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development.

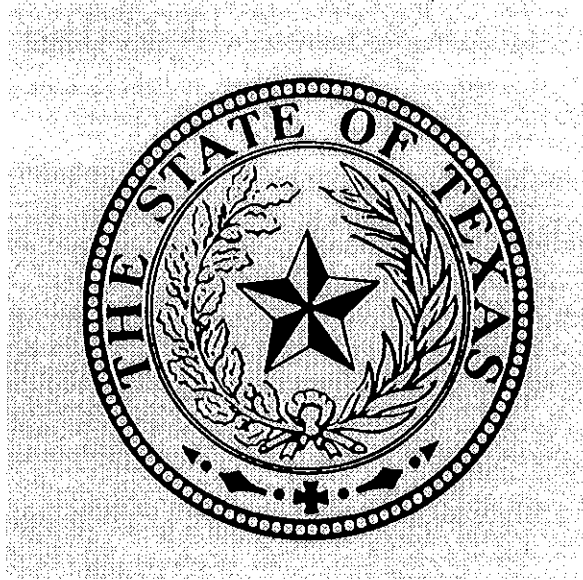
A review team of Department staff, identified by the Executive Director, will evaluate all proposals. The Department's Compliance Division will be consulted to determine if applicants have any audit issues.

Recommendation

Staff recommends that the Board approve the Department's Balance of State Continuum of Care (BoS CoC) Homeless Request for Proposal for release.

Request for Proposal (RFP)

State of Texas Balance of State Continuum of Care



Texas Department of Housing and Community Affairs

Community Affairs Division

January 2008

**PROPOSAL SUBMISSION REQUIREMENTS
FOR STATE OF TEXAS
BALANCE OF STATE CONTINUUM OF CARE**

DEADLINE FOR RECEIPT: Friday, February 15, 2008 by 5:00 p.m. CST

THREE COPIES DUE: One Original and Four Complete Copies

Respondents must submit one original and two complete copies by the deadline. Proposals that arrive after the deadline will not be considered. Diskettes or other electronic documents will not be accepted.

Mailing Address:

(All U.S. Postal Service
including Express)

Ms. Rita D. Gonzales-Garza
Community Services Section
Texas Department of Housing and Community Affairs
Post Office Box 13941
Austin, Texas 78711-3941

Courier Delivery:

(FedEx, UPS, Overnite, etc.)

221 East 11th Street , 1st Floor
Austin, Texas 78701

Hand Delivery:

If you are hand delivering the Proposal, contact
Rita Gonzales-Garza at (512) 475-3905
or Al Almaguer (512) 475-3908 when you arrive at the
lobby of our building so they may accept your Proposal.

Please use the following format for the narrative portion of the Proposal:

- Minimum 11 font (12 font preferred), must be Double Spaced
- Standard 8½ " x 11" paper with 1" margins, double spaced

The original proposal must contain original signatures. Proposals must be bound using binder clips not folders or notebooks.

Questions pertaining to the content of this proposal packet may only be directed to Rita Gonzales-Garza. The proposal is posted on the Department's website:
<http://www.tdhca.state.tx.us/cs.htm#ESGP> .

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Continuum of Care Proposal Form

APPENDICES

Appendix I 2007 Balance of State Jurisdictions

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

PART A. GENERAL INFORMATION

I. BACKGROUND AND PURPOSE OF BALANCE OF STATE CONTINUUM OF CARE PROJECT

Background

Annually, the U.S. Department of Housing and Urban Development, makes available for competition Continuum of Care (CoC) funds to non-profit organizations and units of general local government. The primary purpose of the Continuum of Care funds is to address the problems of homelessness in a comprehensive manner in concert with other federal programs. The competition for CoC funds is highly competitive and the Proposal process is arduous and the planning process required to apply for funds is lengthy. Therefore, a limited number of rural communities in Texas apply for CoC funding and only a very limited number of applicants are funded. As a result, over \$14 million in CoC funds, which was allocated by formula to Texas and could potentially be allocated to successful competitive Texas applications, is forfeited and awarded to other states. The application for these "balance of state" counties is submitted each year by the Texas Homeless Network, on behalf of the state.

During the 80th Regular Texas Legislative Session, the Legislature appropriated funds for the 2008 and 2009 biennium for the Texas Department of Housing and Community Affairs (the Department) to support the State's effort to assist rural communities in their efforts to access federal Continuum of Care funds. Specifically, the funds are intended to be used for to provide technical assistance to rural homeless coalitions representing approximately 182 counties. Types of technical assistance that are necessary to improve the CoC submission for these areas include homeless counts/surveys, compilation of a housing and services inventory, identification of housing gaps, and development of homeless discharge plan strategies for their area.

The Department intends to outsource this contract for delivery of the technical assistance and is proposing to do so through a Request for Proposals (RFP) process. The Department will accept proposals from applicant organizations meeting the requirements of the RFP to provide funding to support the delivery of technical assistance to units of local government, homeless coalitions or non-profit organizations, that must be located in Balance of State areas, (refer to Appendix I) applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development.

II. REQUEST FOR PROPOSALS

The Department is seeking proposals to provide technical assistance to units of local government, homeless coalitions or non-profit organizations, in Balance of State areas, (refer to Appendix I) applying for Continuum of Care funds through the U.S. Department of Housing and Urban Development (HUD). HUD CoC funds are provided by HUD and appropriated by Congress to reduce the incidence of homelessness in CoC communities by assisting homeless individuals and families to move to self-sufficiency and permanent housing. The purpose of the technical assistance will be to assist units of local government, homeless coalitions or non-profit organizations, in Balance of State areas, to successfully complete for HUD CoC funds. TDHCA will contract with an entity to provide the technical assistance to interested organizations in the Balance of State areas. The locations of the training will be contingent on the requests of interested parties. Entities receiving technical assistance from the successful respondent must be located in a Balance of State area (refer to Appendix I.)

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

Respondents to this RFP must meet the qualifications of the RFP.

SERVICES TO BE DELIVERED – Initial contacts as delineated in item 1. may be delivered via calls, e-mails, letters, or in person depending on the needs and knowledge of the interested party. Services delineated in items 2. and 3. will likely have to be delivered on site, at a site determined by the interested parties. However, some of the technical assistance may be done through calls, e-mails, research, document, etc.

1. Meet and communicate (calls, e-mails, letters, in person, etc.) with cities, counties, non-profits, and/or homeless coalitions to inform them about the availability of U.S. Department of Housing and Urban Development (HUD) Continuum of Care (CoC) funding opportunities and application requirements. Purpose of initial communication will be to request an opportunity to present a formal presentation with an overview of HUD CoC Application Requirements.

Conduct formal presentations, Overview of HUD CoC Application Requirements, using handouts, Power Point presentation and Federal Register and related HUD documents, and other needed materials, to interested cities, counties, non-profits, and/or homeless coalitions. Presentations will be conducted on site as requested by interested parties. This presentation should be made to a community-wide or region-wide group involving nonprofit organizations (including those representing persons with disabilities), government agencies, public housing agencies, community and faith-based organizations, other homeless providers, service providers, housing developers, private health care organizations, business and business associations, law enforcement and correction agencies, school systems, private funding providers, and homeless or formerly homeless persons. Such presentations should be conducted after the interested party has demonstrated that the various parties in the community or region have been contacted and are planning on participating in the meeting.

2. Once an interested party coalition has decided to apply for HUD CoC funds, conduct follow-up meeting(s) to present and discuss specific application requirements set forth by U.S. HUD for CoC funds. Presentation should be in-depth and lay the ground work for the coalition having a framework of the planning work which must be conducted in order to apply for CoC funds. Interested parties should include the community-wide or region-wide group as referenced in item
3. Provide technical assistance to the coalition responsible for developing and applying for the HUD CoC funds. Technical assistance will include, but not be limited to, Application Requirements to apply for HUD CoC funding, limited research, guidance on the development of a system to address the specific needs of each homeless subpopulation (those experiencing chronic homelessness, veterans, persons with serious mental illness, persons with substance abuse issues, persons with HIV/AIDS, persons with co-occurring diagnoses, victims of domestic violence, youth, and any others. Technical assistance is also to include guidance on how to conduct homeless counts/surveys, guidance on conducting an inventory of housing and services for homeless families and individuals, guidance on the development of a coordinated effort to fill gaps between the current inventory of services and existing needs, guidance on the prioritization of projects, and on final work leading

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

to submission of CoC application. During the final phase of technical assistance, the vendor is to conduct a review of the draft application and provide pointers on revising the application to improve its competitiveness.

Technical assistance topics must include, but are not limited to, the following:

- U.S. HUD's Notice of Notice of Fund Availability; Policy Requirements and General Section to the Super NOFA for HUD's Discretionary Programs for the appropriate year(s),
- U.S. HUD's Super NOFA for HUD's Discretionary Programs,
- Any Federal Registers related to HUD's Continuum of Care Homeless Assistance Programs for the appropriate year(s) for the appropriate year(s),
- Question and Answers Supplements A Supplement to the Continuum of Care Homeless Assistance NOFA and Application for the appropriate year(s),
- Question and Answers Super NOFA: Continuum of Care Follow-Up for the appropriate year(s),
- And methodology for homeless counts and surveys, compiling homeless inventories of homeless needs and services, and other NOFA required research, and
- Any other documents released by the U.S. HUD related to the Super NOFA Continuum of Care or other resources such as HUD's Homeless Assistance Programs Calculating Unmet Need for Homeless Individuals and Families April 2006.

The successful applicant will need to demonstrate the ability to tailor technical assistance to the needs of interested parties, as the interested party experience will vary widely.

The successful applicant will be responsible for coordinating its technical assistance personnel's hotel and travel arrangements, providing technical assistance materials, and providing for any audio/visual needs. These items should be considered when preparing the budget.

A report of the technical assistance services rendered must be submitted to TDHCA on a monthly basis using a prescribed reporting format.

The successful applicant will be paid on a reimbursement basis. Payment will be made within 30 days of the completion of each technical assistance session performed in accordance with the contract upon conclusion of the technical assistance and submission of required reports.

III. CONTRACT PERIOD

The Department will enter into a 12 month contract, beginning March 2008 through March 2009 for \$109,000. All projects should be planned for a maximum of 12 months; however, the Department may consider renewing the contract for an additional 12 months if performance requirements are met for an additional \$109,000.

IV. FINANCIAL REQUIREMENTS AND DOCUMENTATION

The Department requires that non profit organizations that expend \$500,000 or more in total federal financial assistance or \$500,000 in state financial assistance during the organization's fiscal year arrange for the performance of an annual audit of the funds received for that fiscal year. The audit shall be conducted in accordance with the Single Audit Act provisions. Awardees expending less than \$500,000 in federal or \$500,000 in state financial assistance shall

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

arrange for the performance of an annual financial statement audit. Audits must be submitted to the Department within 30 days of the completion of the audit, but not more than nine (9) months after the end of the fiscal audit period.

An applicant organization, both for profit and non profits, must include its most recent complete audit report and if applicable, a management letter as part of the financial documentation for this proposal. An audit on diskette will not be accepted. If your agency is not required to have a single audit performed, the proposal must include the end-of-the-year financial statements (balance sheet, income statement, and statement of cash flow).

Nonprofit organizations shall follow OMB Circular A-122 for cost principles, OMB Circular A-110 for administrative requirements and OMB Circular A-133 for audit requirements. Local government units shall follow OMB A-87 Circular for cost principles, OMB Circular A-102 for administrative requirements and OMB Circular A-133 for audit requirements.

V. BILLING

Reporting

Awardee(s) must submit a Monthly Invoice by the 20th. Applicant organizations must have a computer on-site with the capability to transmit monthly invoices and receive electronic transmissions. Specific information on the format to bill will be provided to vendor at time contract is issued.

VI. RENEWALS/CANCELLATIONS/ADDITIONS

GOOD FAITH EFFORT: In accordance with the Texas Government Code, Chapter 2161, Subchapter F, § 2161.251 all contracts with expected value of at least \$100,000 including goods, services, public construction (excepting federally funded contracts if federal law prohibits application) must include a Historically Underutilized Business (HUB) Subcontracting Plan.

EXTENSION: The term of this contract shall begin approximately on (date), and shall terminate on (date), and may be renewed by extending the termination date for a maximum of one year per renewal for two (2) consecutive renewal years at the States exclusive option.

Public Information Act

Information submitted to TDHCA is public information and available upon request from the Department in accordance with the Texas Public Information Act, Chapter 552, of the Government Code. If requested, information will be released after the evaluation process has been completed and the TDHCA Board has approved the selection of the training organization.

An organization submitting any information it considers confidential because it is a trade secret or commercial or financial information must clearly identify such information in the proposal. If such information is requested from TDHCA, the organization will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination as to whether the information will be disclosed under the Act.

Information not clearly identified as confidential will be deemed nonconfidential and will be made available by TDHCA upon request.

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

Costs Incurred in Responding

All costs directly or indirectly related to the preparation of a response to this Request for Proposals or any oral presentation required to supplement and/or clarify the proposal that may be required by TDHCA shall be the sole responsibility of, and shall be borne by, the applicant organization.

Additional Information

FUNDING OUT: (Required if a purchase or service transcends a biennium.) This contract is subject to cancellation, without penalty, either in whole or in part, if funds are not appropriated by the Texas Legislature.

EXCESS OBLIGATIONS: The General Appropriations Bill, Article IX, Section 6.04 prohibits an ordering entity to incur an obligation in excess of the amounts appropriated for the respective objects or purpose. See Section 2.24.

PRICING ESCALATION: The pricing on this contract may be increased but shall not exceed _____% over the previous period. NOTE: This will be included in the overall bid evaluation.

AUTHORIZED RELIEF FROM PERFORMANCE (Force Majeure): The agency may grant relief from performance of the contract if the contractor is prevented from compliance and performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of the contractor.

The burden of proof for the need of such relief shall rest upon the contractor. To obtain release based on Force Majeure, the contractor must file a written request with the ordering agency.

ADDITIONAL CATEGORIES: Additional categories may be added to the contract at bid rates for equivalent categories and under the same terms and conditions of the existing contract. Categories to be prorated according to period of coverage. The CAP for adding categories is 12% of the contract value.

SERVICE ADJUSTMENT/CONTINGENCY REQUIREMENTS: The State envisions the necessity from time to time to incur additional changes against this contract to be considered "Service Adjustments/Contingency Requirements" (SACR). This is to include any service recognized to be needed to accommodate unforeseen occurrences. This SACR shall not exceed 10% of the total estimated cost by the awarded vendor.

CANCELLATION: The Texas Department of Housing and Community Affairs reserves the right to cancel this contract with a thirty (30) day written notice to the individual. The individual may cancel this contract with a thirty (30) day written notice to the Department.

ACCEPTANCE OF FUNDS: Contractor understands that acceptance of funds under this contract acts as acceptance of the authority of the State Auditor's Office, or any successor agency, to conduct an audit or investigation in connection with those funds. Contractor

further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested. Contract will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Contract and the requirement to cooperate is included in any subcontract awards.

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

TDHCA reserves the right to accept or reject any (or all) proposals submitted under this Request for Proposals. TDHCA reserves the right to enter into contract with more than one vendor. The information contained in this Request for Proposals is intended to serve only as a general description of the services sought by TDHCA. In releasing this request, TDHCA is not obligated to proceed with any action, and may decide it is in the Department's best interest to discontinue consideration of services. TDHCA reserves the right, with 30 days written notice, to cancel any contract awarded under the terms of this Request for Proposals.

VII. PROPOSAL REVIEW PROCESS

The Executive Director will assign a team of Department staff to review proposals. Each proposal will be evaluated using criteria consistent with the information and instructions contained in the RFP.

Factors to be considered in the review of each proposal will include, but not be limited to:

- applicant's compliance with RFP instructions;
- applicant's capacity to effectively administer funds and to ensure compliance with regulations;
- ability to demonstrate potential success in providing training and technical assistance services related to federal funding notices of fund availability, with preference given to experience in providing training and technical assistance related to the application for U.S. HUD Continuum of Care funds.
- the extent to which services proposed with BoS CoC funds are compatible and consistent with current services provided by applicant;
- applicant's ability to demonstrate staff and organizational capacity to deliver the proposed services.

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

PART B . PROPOSAL CONTENT:

SCOPE OF SERVICES: It shall be within the scope of TDHCA to renew and extend the contract at the end of the contract period. TDHCA reserves the right to issue a Request for Proposals for technical assistance services at any such time after the expiration of the term of the contract for services.

The proposal narrative must provide all the information requested and information is to be presented in the order of the outline provided herein. Information submitted in response to Part B. I. and II.. shall not exceed **6 pages**. Under the parameters of this request, a maximum of 100 points can be awarded to a properly submitted proposal. Proposals will be scored on the following criteria.

I. DESCRIPTION OF APPLICANT ORGANIZATION

A. Organization Experience, 25 points

1. A summary of the names, titles, office locations, and years of experience in technical assistance similar to the type described herein for all persons to be assigned any of the responsibilities concerning this proposal. Brief resumes should also be provided for each staff member who will work on the proposed contract activities.
2. Provide a written description of duties assigned to each individual on the list of previous technical assistance services listed under "Item 1. Organization Experience."
3. Describe and provide support documentation for any special training, certifications, or licenses your organization or its key staff possess which are relevant to the services to be provided under the BoS CoC funding.
4. Describe the current services and/or programs operated which relate to the services to be provided under BoS CoC funding.

B. Method to Deliver Technical Assistance, 15 points

Provide a description of how the training and technical assistance will be provided to BoS organizations. Include information on:

1. method(s) of delivering training and/or technical assistance,
2. staff to provide the training and or technical assistance,
3. other relevant information.

II. COSTS RELATED TO TECHNICAL ASSISTANCE SERVICES, 40 points

The cost per hour charged may vary depending on the medium used to deliver the technical assistance and the type of technical assistance being provided. If the cost to be charged will vary, indicate the price by medium and type of technical assistance.

- A. Identify the cost per hour to be charged to meet and communicate (calls, e-mails, letters, etc.) with cities, counties, non-profits, and/or homeless coalitions in to inform them about the availability of U.S. Department of Housing and Urban Development

Texas Department of Housing and Community Affairs

Proposal Requirements for BoS CoC Proposal

(HUD) Continuum of Care (CoC) funding opportunities and application requirements and to conduct formal presentations providing an overview of HUD CoC Application Requirements as identified on page 2, item 1. Services To Be Delivered section of the Proposal Content. The cost per hour charged may vary depending on the medium used to deliver the technical assistance, if the cost does vary indicate the price for each medium.

- B. Identify the cost per hour to be charged to conduct follow-up meeting(s) to present and discuss specific application requirements set forth by U.S. HUD for CoC funds as identified on page 2, item 3. Services To Be Delivered section of the Proposal Content.
- C. Identify the cost per hour to be charged to provide technical assistance to the coalition responsible for developing and applying for the HUD CoC funds. Technical assistance will include, but not be limited to, Application Requirements to apply for HUD CoC funding, limited research, guidance on the development of a system to address the specific needs of each homeless subpopulation (those experiencing chronic homelessness, veterans, persons with serious mental illness, persons with substance abuse issues, persons with HIV/AIDS, persons with co-occurring diagnoses, victims of domestic violence, youth, and any others. Technical assistance is also to include guidance on how to conduct homeless counts/surveys, guidance on conducting an inventory of housing and services for homeless families and individuals, guidance on the development of a coordinated effort to fill gaps between the current inventory of services and existing needs, guidance on the prioritization of projects, and on final work leading to submission of CoC.

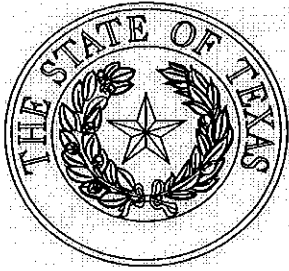
III. PROJECT EVALUATION AND CONCLUSION, 10 points

- A. Describe the process to be utilized by your organization to measure the effectiveness of the services provided and/or supported with the BoS CoC funding.
- B. Explain how often data on effectiveness of technical assistance will be gathered and how the data will be maintained.
- C. Explain what factors make your organization the most appropriate choice to receive the BoS CoC funds and provide training and technical assistance to entities located in the BoS areas and applying for HUD CoC funding.

IV. ATTACHMENTS TO BE INCLUDED, 10 points

- A. **State of Texas Balance of State Continuum of Care Proposal Form** -- Form must be placed on the top of the proposal.
- B. **Table of Contents** with page numbers must be included in proposal.
- C. **Fiscal Accountability** - All proposals must include documentation of fiscal accountability. Submit one complete unbound copy of your organization's most recent Single Audit report. A duplicate copy of the Single Audit report does not need to be submitted. **If applicable, a management letter must be included with the audit.** If your organization does not have a Single Audit, the following end-of-the-year financial statements must be included: (1) balance sheet; (2) income statement; and (3) a statement of cash flow.

Attachment A



**State of Texas
Balance of State Continuum of Care
(BoS CoC) Proposal Submission Form**

Legal Name of Applicant:

Mailing Address *(Include City and County and Zip Code):*

Agency Phone:

Agency Fax:

Chief Executive and Title:

Program Contact Person:

E-mail Address:

Type of Organization:

- Nonprofit Organization
- Unit of General Local Government
- For Profit Organization

Is this a Faith-Based Organization?

- Yes
- No

2007 BALANCE OF STATE JURISDICTIONS

ABILENE	Comanche County	Jasper County	Randall County
BROWNSVILLE	Concho County	Jeff Davis County	Reagan County
DENISON	Cooke County	Jim Hogg County	Real County
EDINBURG	Crane County	Jim Wells County	Red River County
HARLINGEN	Crockett County	Johnson County	Reeves County
LAREDO	Crosby County	Jones County	Refugio County
LUBBOCK	Culberson County	Karnes County	Roberts County
MC ALLEN	Dallam County	Kaufman County	Robertson County
MIDLAND	Dawson County	Kendall County	Runnels County
MISSION	Deaf Smith County	Kenedy County	Sabine County
NEW BRAUNFELS	Delta County	Kent County	San Augustine County
ODESSA	Dickens County	Kerr County	San Jacinto County
PHARR	Dimmit County	Kimble County	San Patricio County
SAN ANGELO	Donley County	King County	Schleicher County
SAN BENITO	Duval County	Kinney County	Scurry County
SAN MARCOS	Eastland County	Kleberg County	Shackelford County
SHERMAN	Ector County	Knox County	Shelby County
TEXARKANA	Edwards County	Lamar County	Sherman County
TYLER	Ellis County	Lamb County	Smith County
Andrews County	Erath County	La Salle County	Somervell County
Angelina County	Fannin County	Lee County	Starr County
Aransas County	Fayette County	Lipscomb County	Sterling County
Archer County	Fisher County	Live Oak County	Stonewall County
Armstrong County	Floyd County	Llano County	Sutton County
Atascosa County	Franklin County	Loving County	Swisher County
Austin County	Frio County	Lubbock County	Taylor County
Bailey County	Gaines County	McCulloch County	Terrell County
Bandera County	Garza County	McMullen County	Terry County
Bastrop County	Gillespie County	Martin County	Titus County
Bee County	Glasscock County	Mason County	Tom Green County
Blanco County	Gray County	Matagorda County	Trinity County
Borden County	Grayson County	Maverick County	Tyler County
Bowie County	Guadalupe County	Medina County	Upton County
Brewster County	Hale County	Menard County	Uvalde County
Briscoe County	Hall County	Midland County	Val Verde County
Brooks County	Hansford County	Mitchell County	Van Zandt County
Brown County	Hartley County	Moore County	Walker County
Burnet County	Haskell County	Morris County	Waller County
Caldwell County	Hays County	Motley County	Ward County
Callahan County	Hemphill County	Nacogdoches County	Webb County
Cameron County	Henderson County	Navarro County	Wharton County
Camp County	HIDALGO COUNTY	Newton County	Wheeler County
Carson County	Hockley County	Nolan County	Willacy County
Cass County	Hood County	Ochiltree County	Wilson County
Castro County	Hopkins County	Oldham County	Winkler County
Cochran County	Houston County	Parmer County	Wood County
Coke County	Howard County	Pecos County	Yoakum County
Coleman County	Hudspeth County	Polk County	Zapata County
Collingsworth County	Hunt County	Potter County	Zavala County
Colorado County	Hutchinson County	Presidio County	
Comal County	Irion County	Rains County	

**COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
December 20, 2007**

Action Item

Review and approval to distribute the PY 2008 Community Services Block Grant (CSBG) funds and carry-over funds for the contract period January 1, 2008 to December 31, 2008.

Required Action

Review and approval to distribute 100% of the PY 2008 Community Services Block Grant (CSBG) funds, estimated at \$30,208,630, and carry-over funds as proposed for the contract period January 1, 2008 to December 31, 2008.

Background

The Community Services Block Grant (CSBG) Act (42 USC Sec. 9901 et seq.) was amended by the Community Services Block Grant Amendments of 1994 and the Coats Human Services Reauthorization Act of 1998 under (42 USC 9901 et seq.). The Secretary of the U.S. Health and Human Services is authorized to make Community Services Block Grant funds available to States to ameliorate the causes of poverty in communities within the States under (42 USC 9904). The CSBG Act (42 USC 9907) requires that not less than 90% of the CSBG funds shall be used by the State to make grants to eligible entities. The states are authorized to utilize up to 5% of the CSBG funds for administration and the remainder for discretionary projects.

The Texas Legislature designated the Texas Department of Housing and Community Affairs as the lead agency for administration of the Community Services Block Grant program pursuant to Texas Government Code, 2306.092 (11). CSBG funds are available to eligible entities to carryout the purposes of the CSBG. A CSBG eligible entity is defined as an entity that was in effect on the day before the date of enactment of the CSBG Act, including a new or existing eligible entity official reassigned to serve an unserved area of the State.

The CSBG subrecipient network is currently comprised of 46 CSBG eligible entities that provide services to all 254 counties in the State. The Department is in the process of designating an eligible entity(ies) for five counties in South Texas that are temporarily being covered by other subrecipients in the network.

CSBG funds are used to: remove obstacles and solve problems that block the achievement of self-sufficiency; to secure and retain meaningful employment; to attain an adequate education; to make better use of available income; to obtain and maintain adequate housing and a suitable living environment; to obtain emergency assistance through loans, grants, or other means to meet immediate and urgent family and individual needs; and to achieve greater participation in the affairs of the communities involved including developing partnerships with local entities.

Fund Allocation

The total estimated 2008 CSBG funds to be available are \$30,208,630. The amount of 2007 CSBG carry-over funds will be available after the final financial status reports are submitted January 20, 2008. Per the CSBG statute, carry-over funds must be awarded to the CSBG eligible entity. Therefore, any carry-over funds from CSBG eligible entities would be obligated in their 2008 CSBG contract. Of the 5% discretionary funds, there are \$77,821 carry-over funds which will be expended in 2008 for eligible projects.

The CSBG Act requires that no less than ninety percent (90%) of the State's allocation be allocated to CSBG eligible entities. Staff recommends that 90% of the funds, in the amount of \$27,187,769, be used for that activity. The Department utilizes a multi-factor fund distribution formula to equitably provide CSBG funds throughout the State's 254 counties to the CSBG eligible entities. The formula incorporates the 2000 U.S. Census figures at 125% of poverty; a \$50,000 base; a \$150,000 floor (the minimum funding level); a 98% weighted factor for poverty population; and, a 2% weighted factor for the inverse ratio of population density. Attachment for Request #1 reflects the proposed funding amounts for each of the 46 eligible entities, as well as the proposed amount for the organization that will permanently serve the 5 county area under temporary assistance.

Staff recommends that five percent (5%) of the Department's annual CSBG allocation, \$1,510,431 be used to cover state administrative costs, including salary and benefits for State CSBG staff, indirect costs, a portion of operating costs (space, telephone, staff travel, etc.), and capital expenditures (furnishings, equipment, etc.).

The Department has also historically set aside five percent (5%) of CSBG funds that are considered "discretionary" to provide services to the following: organizations serving Migrant and Seasonal Farmworkers and Native Americans; for innovative and demonstration projects including the Texas Association of Community Action Agencies and the Texas Homeless Network ; for disaster relief projects; for Performance Awards for Transitioning Persons Out of Poverty; for the provision of training and technical assistance; and for other projects as needed.

In the past most, if not all, of those contracts and awards have not had any formal application or competitive process, nor have priorities for the highest and best use of those funds been set by the Department's Board. To provide those organizations with a transitional period, staff is recommending that these discretionary awards be approved by the board for 2008 funding. However, this recommendation is made with the advance notice that beginning in summer 2008 a Notice of Funding Availability will be presented to the Board that will program and prioritize the use of 2009 CSBG discretionary funds. All contracts currently receiving a 2008 discretionary award will have to compete under the new structure in 2009. Such framework will adhere to eligible use of funds as set forth in the CSBG Act.

Staff recommends that \$989,926 of the remaining funds, which are discretionary, be used to fund organizations serving the Migrant and Seasonal Farmworkers and Native American populations. At this time, the Department does not have a contractual agreement with an entity to provide services to the Kickapoo Traditional Tribe of Texas. The funds are being reserved for 2008 and the entity to provide the services to the Kickapoo Traditional Tribe of Texas will be designated at a later date.

Staff recommends that \$275,000 of the remaining discretionary funds be used to fund three innovative and demonstration projects. The three projects are \$150,000 to the Texas Association of Community Action Agencies; \$100,000 to the Texas Homeless Network; \$25,000 to the Community Action Program of Taylor County. Attachments for Request #2, #3, and #4 summarize the three projects proposed to be funded.

The funds requested for the Texas Association of Community Action Agencies are to provide for activities in support of the delivery systems by the State's Community Services Block Grant eligible entities serving low-income population groups. The activities include: training and technical assistance; dissemination of program information; maintenance of partnerships within the State, regionally and nationally on community action and food/hunger issues; and maintenance of a State Hot-Line and other communications to continue initiatives providing surplus food/produce and game meat for food pantries and eventually to low-income individuals and families. The funds requested for the Texas Homeless Network will be used to provide training and technical assistance to community groups to support the development and capacity of local coalitions serving the State's homeless. Funds requested are also to enhance THN's technological capacity to support interactive training to homeless service providers, to expand the scope and depth of its *Homeless Network News* newsletter, and to offset expenses to coordinate and host the 20th Annual Texas Homeless Network Conference. The funds requested for Community Action Program of Taylor County will support an Individual Development Accounts Project which provides case management to work with low-income persons to establish and attain goals which lead to self-sufficiency and the realization of matched savings account to use funds to either purchase their first home, open a small business, or off-set expenses to attain post-secondary education.

Staff recommends that the balance of discretionary funds, \$245,504, be reserved for innovative and demonstration projects, disaster relief projects, possible Performance Awards for Transitioning Persons Out of Poverty, and the provision of training and technical assistance, and other projects to be determined by the Executive Director.

ATTACHMENT FOR REQUEST #1

DESCRIPTION OF CSBG FUNDING

Request #1-- Allocate 2008 CSBG funds totaling \$30,208,630 as follows: \$27,187,769 to CSBG Eligible Entities; \$989,926 to Migrant and Seasonal Farmworker and Native American Organizations; \$1,510,431 for State Administration; and \$275,000 for the three innovative and demonstration projects requested and the remaining \$245,504 for innovative and demonstration projects, disaster relief projects, Performance Awards for transitioning persons out of poverty and training.

Proposed Activities

CSBG funds will be used to provide services to low income individuals and families whose income is at or below 125% of poverty income guidelines. Eligible entities will use CSBG funds to provide administrative support for services that are funded through other federal, state, local and private resources and to provide direct services, case management services and to transition persons out of poverty. CSBG funds will support 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, and to provide assistance in removing obstacles and solving problems that block the achievement of self-sufficiency. The Department estimates that the State CSBG client, MSFW and Native American organizations will assist 425,000 persons and assist 3,000 persons transition out of poverty.

Funding Justification

The Secretary of the U.S. Health and Human Services is authorized to make available the Community Services Block Grant to States to ameliorate the causes of poverty in communities within the States under (42 U.S.C. 9904).

APPENDIX TO ATTACHMENT FOR REQUEST #1

CSBG Estimated PY 2008 Funding Distribution to Eligible Entities

CONTRACTOR NAME	100% Allocation PY '08 Need Based Amount w/ 10% Limits
Aspermont Small Business Development Center	\$150,000.00
Austin, City	\$803,132.00
Bee Community Action Agency	\$249,242.00
Big Bend Community Action Committee	\$150,000.00
Brazos Valley Community Action Agency	\$861,501.00
Cameron & Willacy Counties community Projects	\$895,742.00
Caprock Community Action Association	\$167,590.00
Community Action Social Services & Education (CASSE)	\$179,939.00
Central TX Opportunities	\$204,296.00
Combined Community Action	\$186,713.00
Community Action Corp. of South Texas	\$231,597.00
Pending Designation of Eligible Entity	\$318,302.00
Community Action Council of Victoria	\$270,870.00
Community Action Inc. of Hays, Caldwell, & Blanco	\$186,655.00
Community Action Program Inc. (Taylor)	\$221,975.00
Community Council of Reeves	\$198,335.00
Community Council of South Central TX	\$472,740.00
Community Council of Southwest TX	\$248,189.00
Community Services, Inc.	\$942,330.00
Concho Valley Community Action Agency	\$254,407.00
Community Services of Northeast Texas	\$255,259.00
Community Services Agency of South Texas	\$150,000.00
Dallas Urban League	\$2,360,372.00
Economic Action Committee of the Gulf Coast	\$150,000.00
El Paso Community Action Program	\$1,272,051.00
EOAC of Planning Region XI	\$461,053.00
Fort Worth, City	\$1,230,947.00
Galveston County Community Action Council	\$742,020.00
Greater East Texas Community Action Program (GETCAP)	\$845,636.00
Gulf Coast Community Services Association	\$3,955,049.00
Hidalgo County Community Services Agency	\$1,526,918.00
Hill Country Community Action Association	\$427,824.00
Lubbock, City	\$364,445.00

Northeast TX Opportunities	\$238,373.00
Nueces County Community Action Agency	\$477,423.00
Panhandle Community Services	\$553,135.00
Pecos County Community Action Agency	\$150,000.00
Rolling Plains Management Corp.	\$295,387.00
San Antonio, City of, Community Action Division	\$1,726,883.00
South Plains Community Action Association	\$183,055.00
Southeast TX Regional Planning Commission	\$488,798.00
Texas Neighborhood Services	\$344,270.00
Texoma Council of Governments	\$215,994.00
Tri-County Community Action	\$355,635.00
Webb County Community Action Agency	\$497,207.00
West Tx Opportunities	\$550,011.00
Williamson-Burnet County Opportunities	\$176,463.00
TOTAL	\$27,187,769.00
MSFW and NATIVE AMERICAN SUBRECIPIENT ORGANIZATIONS	
Alabama Coushatta	\$60,834.00
Asociacion Pro Servicios	\$105,538.00
Cameron & Willacy Counties	\$60,006.00
CASSE	\$49,237.00
CSA of South Texas	\$14,927.00
Dallas Inter-tribal	\$109,559.00
Guadalupe Economic Services	\$180,405.00
Hidalgo, County of	\$86,437.00
Sin Fronteras	\$107,995.00
South Central Texas, CC Of	\$93,903.00
Southwest Texas, CC of	\$72,351.00
Services to Kickapoo Traditional Tribe *	\$48,734.00
TOTAL	\$989,926.00

* Funds are not to be awarded to the Kickapoo Traditional Tribe of Texas. The organization is to be determined.

ATTACHMENT FOR REQUEST #2

Request #2 Texas Association of Community Action Agencies--\$150,000

The Texas Association of Community Action Agencies (TACAA) has submitted a renewal proposal to the Community Affairs Division requesting \$150,000 of 2008 Community Services Block Grant (CSBG) funds. The funds requested are to provide for activities in support of the delivery systems by the State's Community Services Block Grant eligible entities serving low-income population groups. The activities include: training and technical assistance; dissemination of program information; maintenance of partnerships within the State, regionally and nationally on community action and food/hunger issues; and maintenance of a state hot-line and other communications to continue initiatives providing surplus food/produce and game meat for food pantries and eventually to low-income individuals and families.

The CSBG Act, 42 U.S.C. Sec. 9907 (b)(1)(A)-(H) authorizes CSBG funds for statewide activities that may include: (A) provide training and technical assistance to those entities in need of such training and technical assistance; and, (C) supporting statewide coordination and communication among eligible entities. Furthermore, TACAA plans to use the CSBG funds in accordance with 42 U.S.C., Sec. 9922, which allows that grant funds be used: (1) to coordinate private and public food assistance resources, wherever the grant recipient involved determines such coordination to be inadequate, to better serve low-income populations; (2) to assist low-income communities to identify potential sponsors of child nutrition programs and to initiate such programs in underserved or unserved areas; and, (3) to develop innovative approaches at the State and local level to meet the nutrition needs of low-income individuals.

Proposed Activities

The following activities are proposed for 2008:

- 1) Provide training and technical assistance activities to CSBG eligible entities via an annual conference, workshops, and other sessions. Training to be provided will be based on the needs identified through surveys.
- 2) Provide support to the CSBG network in the form of disseminated program information, statistics, and research findings relevant to services to the State's low-income population.
- 3) Create, for network distribution, a current profile on each of the State's CSBG eligible entities, its current programs, staff expertise, and peer training capabilities.

- 4) Produce, for statewide distribution, a Texas specific summary of the 2007 CSBG network accomplishments from data reported by TDHCA to the National Association for State Community Services Programs' Information Systems Survey;
- 5) Finalize the CSBG Entity Self-Assessment Instrument drafted in 2007 and distribute in 2008 to the Texas CSBG network organizations.
- 6) Maintain partnerships at the state, regional, and national level on issues related to the Texas CSBG network organizations and their respective services.
- 7) Maintain the TACAA website to include the following: 1) TACAA Calendar, 2) job postings, 3) public notices, 4) local TACAA contact information, 5) Share Our Surplus Program, 6) Hunters for the Hungry Program, 7) Food Stamp Education and Outreach Program, and, 8) Texas Hunger Relief Clearinghouse.
- 8) Facilitate the donation of 2,000,000 pounds of surplus food and produce from donor organizations to collection groups involved with distribution of food to local low-income individuals and families.
- 9) Facilitate the donation of 150,000 pounds of venison between participating meat processors and food pantries, food banks, and other organizations involved in the distribution of commodities for local low-income individuals and families.
- 10) Maintain a toll-free hotline and other methods of communication to respond to inquiries from the general public about hunger relief and related assistance.
- 11) Maintain a database of food assistance providers for facilitating the coordination and success of statewide anti-hunger programs and initiatives.
- 12) Submit a minimum of three (3) grant applications for funding to support TACAA's hunger relief programs and other related initiatives selected for the future direction of the Association.
- 13) Continue coordination with national, state, and local organizations on issues related to food and poverty, including leveraging nutrition related funds with the Texas Health and Human Services Commission.

Funding Justification

TACAA has met or exceeded its Performance Statement goals in the 2007 CSBG contract which will end December 31, 2007. In particular, the Share Our Surplus Program had already yielded 1.7 million pounds of surplus food and produce by September 2007. The Hunters for the Hungry Program had yielded 183,607 pounds (58,000 pounds over the year's goal) of processed game meat as of September 2007. In 2007, TACAA prepared a draft Agency Self-Assessment Instrument which is being

provided to the CSBG network subrecipients to facilitate their internal self-assessment of the organizational health as well as identifying their strengths and weaknesses.

Funding TACAA's request for \$150,000 in 2008 CSBG funds will enable the Department to support food and hunger initiatives as well as to facilitate a statewide approach to assist the Texas Community Services Block Grant Network in meeting its objectives to serve the State's low income population. Furthermore, through the funding, the Department will help support valuable anti-hunger statewide initiatives.

ATTACHMENT FOR REQUEST #3

Request #3--Texas Homeless Network--\$100,000

On October 26, 2007, the Texas Homeless Network (THN) submitted its renewal proposal to the Community Affairs Division requesting \$100,000 in 2008 Community Services Block Grant funds to support statewide activities to serve the State's homeless or potentially homeless population. THN proposes to provide training and technical assistance to community groups to support the development and capacity of local coalitions for serving the state's homeless. THN proposes to train communities on planning and preparation for submitting Continuum of Care applications to the U.S. Department of Housing and Urban Development. Funds requested are also to enhance THN's technological capacity to support interactive training to homeless service providers, to expand the scope and depth of its *Homeless Network News* newsletter, and to offset expenses to coordinate and host the 20th Annual Texas Homeless Network Conference.

The CSBG Act, 42 U.S.C. Sec. 9907 (b)(1)(A)-(H), authorizes CSBG funds for statewide activities that may include: (A) provide training and technical assistance to those entities in need of such training and technical assistance; and, (C) supporting statewide coordination and communication among eligible entities.

Proposed Activities

The following activities are proposed for 2008:

- 1) Maintain Support for Local Coalitions and Local Homeless Service Providers--utilize information resources and technical assistance to support the development and capacity of local coalitions throughout the State.
- 2) Publish Newsletter--expand the scope and depth of the *Homeless Network News* to include more information on program resources, coalition building, legislation, etc. Four newsletters are to be published during 2008, including one focused on the education of homeless children.
- 3) Provide Training and Technical Assistance--to train homeless service providers in the areas of capacity building, funding resources, best practices, and working in collaborative endeavors.
- 4) Facilitate Technology--to increase the interactive nature of THN on-line to include interactive training for current and potential homeless service providers.
- 5) Conduct 20th Annual Texas Homeless Network Conference--to coordinate and host the statewide Conference for the benefit of homeless service providers.

The proposed 2008 CSBG Budget components to support the proposed activities for the homeless total \$100,000.

Funding Justification

The Texas Homeless Network (THN) routinely promotes statewide services and initiatives on behalf of the homeless in Texas. THN has been a frequent subrecipient of Texas' Community Services Block Grant state discretionary funds reserved for Special Innovative and Demonstration Projects.

The Department's most recent 12-month CSBG contract with the Texas Homeless Network was for \$52,500 for the period November 16, 2006 to November 15, 2007. Desk monitoring indicates that THN expended 100% of the 2007 CSBG contract funds. A review of THN's 2007 programmatic reports indicates satisfactory accomplishments on all activities listed in the contract's Performance Statement.

Funding THN's request for \$100,000 in 2008 CSBG funds will enable the Department to support statewide endeavors on behalf of the state's homeless population. Furthermore, the Department will have another statewide initiative to contribute to the performance measures relating to services for homeless persons as requested by the Legislative Budget Board.

ATTACHMENT FOR REQUEST #4

Request: #4 Community Action Program of Taylor County (CAP Taylor)--\$25,000

On November 3, 2007, the Community Action Program of Taylor County submitted a request to the Community Affairs Division for \$25,000 in Community Services Block Grant (CSBG) funds to support its multi-year Individual Development Accounts (IDA) project. The funds requested are to provide a portion of the salary and benefits of the full-time Program Coordinator responsible for administering the IDA project, a matched savings account initiative in Abilene, Texas. The balance of funds for the Program Coordinator's salary and fringe benefits is to be absorbed by the operating budget of the Community Action Program of Taylor County.

Participants enrolled in the Individual Development Accounts project will open IDA savings accounts and save money to either purchase their first home, open a small business, or off-set expenses to attain post-secondary education. Besides the enrollee recruitment, the Program Coordinator oversees the provision of case management services, including assistance in establishing and attaining goals which lead to self-sufficiency and the realization of matched savings in the IDA project.

The Community Action Program of Taylor County is one of the State's CSBG eligible entities already receiving CSBG funds and among the few organizations in the nation receiving several U. S. Department of Health and Human Services grants associated with its Assets for Independence Demonstration Program. The CSBG Act, 42 U.S.C. Sec. 9907 (b)(1)(E), authorizes CSBG funds for "supporting asset-building programs for low-income individuals, such as programs supporting individual development accounts;..."

Proposed Activities

CAP of Taylor County has received competitive Assets for Independence Demonstration Program grants directly from the U. S. Department of Health and Human Services for the last three consecutive years--\$100,000, \$150,000, and \$100,000 which are grants with multiple year awards. It is in line to receive a fourth grant in the next few months.

The following activities are proposed in 2008:

- 1) continued support and coordination for concurrently operating IDA projects;
- 2) recruitment of fifty or more enrollees for the next IDA project;
- 3) oversight of the on-going IDA's Financial Literacy Education component;
- 4) continued solicitation of federally-required matching funds for the matched savings accounts, such as those already committed by the Dodge Jones Foundation, Shelton Families Foundation, and Dian Graves Owen Foundation;
- 5) coordination with the Abilene Christian University for its involvement by Social Work Interns in the IDA projects; and,
- 6) Continued coordination with banking and other financial institutions holding the IDA matched savings accounts.

Funding Justification

The Community Action Program of Taylor County has already received three major Assets for Independence Demonstration Program grants from the U.S. Department of Health and Human Services. The total for these three consecutive-year grants is \$450,000 and CAP of Taylor County has the commitments for the required non-federal match from the Dodge Jones Foundation, the Shelton Families Foundation, and the Diane Graves Owen Foundation.

Funding CAP of Taylor County's request for \$25,000 in 2008 CSBG funds will fund a portion of the Program Coordinator's annual salary and fringe benefits thereby providing administrative support to one of the nation's nationally-recognized program initiatives for low-income persons. The CAP of Taylor County's Financial Resources for Economic Empowerment (FREE) Program, which includes the IDA projects, enjoys state and national recognition. The Office of Community Services of the U. S. Department of Health and Human Services continues to present the CAP of Taylor's FREE Program work and accomplishments as exemplary to others across the U.S. The asset building and tax preparation components of the Program have received letters of commendation from President Bush. The Program's work has also been recognized by the Texas Bankers' Association and the National Points of Light Foundation.

Funding this request will enable CAP Taylor to continue transitioning persons out of poverty and will assist the Department meet its goal of transitioning 3,000 persons out of poverty in 2008 and more importantly it will change the lives of individuals in the program by partnering with them to realize their goals of purchasing a home, starting a new business, or pursuing a post-secondary education.

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST

December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by Office of Rural Community Affairs (ORCA).

Requested Action

Approve the request for amendments related to the use of non-housing funds under the State of Texas Action Plan (Action Plan) for *Community Development Block Grant (CDBG) Disaster Recovery Funds to Areas Most Impacted and Distressed by Hurricane Rita*.

Background

The U. S. Department of Housing and Urban Development (HUD) approved the State of Texas Action Plan (Action Plan) related to the CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita on June 16, 2006. On August 30, 2006 the TDHCA Governing Board approved the non-housing project recommendations of the Office of Rural Community Affairs (ORCA) and the four COGs in the affected area.

The Action Plan approved by HUD specifically states "*contract amendments that vary more than 5% must be approved by the TDHCA Board.*"

I.

Trinity County DRS 060088

Summary of Request

Trinity County is requesting an amendment to move \$21,000 from the water facilities line item in to the sewer facilities line item to install a 25kW emergency generator and 250 gallon propane tank at the West Wood Shores Municipal Utility District Sewer Plant. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Water Facilities	\$ 243,000.00	-	\$ 21,000.00	\$ 222,000.00

Sewer Facilities	\$ -	+	\$ 21,000.00	\$ 21,000.00
Planning / Project Delivery	\$ 24,300.00		\$ -	\$ 24,300.00
	\$ 267,300.00			\$ 267,300.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

Tyler County DRS 060089

Tyler County is requesting an amendment to move \$359,294 from the water facilities line item, \$60,120 from street improvements, and \$231,250 from debris activities to move \$146,064 in to neighborhood facilities, \$273,350 to specially authorized public facilities, \$231,250 to drainage facilities to buy appropriately sized generators for the community shelter and hospital and to provide match for an NRCS bank stabilization project respectively. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Water Facilities	\$ 1,075,000.00	-	\$359,294.00	\$ 715,706.00
Street Improvements	\$ 60,120.00	-	\$ 60,120.00	\$ -
Drainage Facilities	\$ -	+	\$231,250.00	\$ 231,250.00
Debris Activities	\$ 231,250.00	-	\$231,250.00	\$ -
Neighborhood Facilities	\$ 110,000.00	+	\$146,064.00	\$ 256,064.00
Specially Authorized Public Facilities	\$ 295,650.00	+	\$273,350.00	\$ 569,000.00

Engineering	\$ 51,000.00	\$ -	\$ 51,000.00
Planning / Project Delivery	\$ 95,900.00	\$ -	\$ 95,900.00
	\$ 1,918,920.00		\$ 1,918,920.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

Orange County DRS 060065

Orange County is requesting an amendment to transfer \$48,538 from debris activities and \$328,521 from specially authorized public facilities to move \$279,972 to street improvements, \$18,000 to clearance and demolition, and \$122,000 to acquisition to pay for increased costs for street repairs, and clearance and demolition and acquisition activities respectively. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Street Improvements	\$ 372,728.30	+	\$278,271.70	\$ 651,000.00
Debris Activities	\$ 348,537.56	-	\$ 48,537.56	\$ 300,000.00
Neighborhood Facilities	\$ 41,213.00	-	\$ 41,213.00	\$ -
Specially Authorized Public Facilities	\$ 328,521.14	-	\$328,521.14	\$ -
Demolition	\$ 30,000.00	+	\$ 18,000.00	\$ 48,000.00
Acquisition	\$ 18,000.00	+	\$122,000.00	\$ 140,000.00

Engineering	\$ 25,000.00	\$ -	\$ 25,000.00
Planning / Project Delivery	\$ 36,000.00	\$ -	\$ 36,000.00
	\$ 1,200,000.00		\$ 1,200,000.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Surfside Beach DRS 060085

The City of Surfside Beach is requesting a performance statement amendment to amend the number of homes to be demolished and converted to open space from 14 homes to 9 homes due to cost over runs associated with each house already acquired. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Nederland DRS 060058

The City of Nederland is requesting a performance statement amendment to allow the City to use grant funds originally allocated to complete plans and specs for renovations to the City's fire station to also cover costs associated with damage estimates to other non general conduct of government city owned buildings. The City will also be doing 2 generators instead of 3 generators under the fire protection activity to install appropriately sized generators at the fire station. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

II. The following communities are requesting budget amendments to move funds that are no longer needed for FEMA match.

Angelina County DRS 060003

Angelina County is requesting a transfer of \$15,387 from the street improvement activities line item to the water facilities line item to address emergency power needs at an additional water supply corporation. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ 294,900.00	+	\$ 15,387.00	\$ 310,287.00
Street Improvements	\$ 15,387.00	-	\$ 15,387.00	\$ -
Engineering	\$ 38,500.00		\$ -	\$ 38,500.00
Planning / Project Delivery	\$ 31,029.00		\$ -	\$ 31,029.00
	\$ 379,816.00			\$ 379,816.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

The City of Broaddus DRS 060007

The City of Broaddus is requesting to transfer \$19,457 from the sewer activities line item to the water activities line item to acquire an emergency power generator at the City's water plant. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ -	+	\$ 19,457.00	\$ 19,457.00
Sewer Facilities	\$ 19,457.00	-	\$ 19,457.00	\$ -
Planning / Project Delivery	\$ 1,946.00		\$ -	\$ 1,946.00
	\$ 21,403.00			\$ 21,403.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Zavalla DRS 060095

The City of Zavalla is requesting to transfer \$450 from the debris activity and \$550 from fire protection activity to transfer \$1000 in to the water facilities line item to cover increased costs related to the generator being acquired for the City's main water plant. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ 40,000.00	+	\$ 1,000.00	\$ 41,000.00
Debris Activities	\$ 450.00	-	\$ 450.00	\$ -
Fire Protection Facilities	\$ 550.00	-	\$ 550.00	\$ -
Engineering	\$ 7,500.00		\$ -	\$ 7,500.00
Planning / Project Delivery	\$ 4,100.00		\$ -	\$ 4,100.00
	\$ 52,600.00			\$ 52,600.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Hudson DRS 060035

The City of Hudson is requesting to transfer \$5044 from the debris removal line item in to the sewer activities line item to acquire a generator for a sewer lift station. The number of beneficiaries will be reduced from 3792 (city wide) to a target area of 254 beneficiaries.

Activity	Current Budget		Change (+/-)	Revised Budget
Sewer Facilities	\$ 53,189.00	+	\$ 5,044.00	\$ 58,233.00
Debris Activities	\$ 5,044.00	-	\$ 5,044.00	\$ -
Engineering	\$ 7,500.00		\$ -	\$ 7,500.00
Planning / Project Delivery	\$ 6,311.00		\$ -	\$ 6,311.00
	\$ 72,044.00			\$ 72,044.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

Shelby County DRS 060080

Shelby County is requesting to transfer \$20,970 from the street activities line item in to the water facilities line item to address emergency power needs at an additional water supply corporation located in the county. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Water Facilities	\$ 162,393.00	+	\$ 20,970.00	\$ 183,363.00
Street Improvements	\$ 20,970.00	-	\$ 20,970.00	\$ -
Engineering	\$ 20,000.00		\$ -	\$ 20,000.00
Planning / Project Delivery	\$ 18,336.00		\$ -	\$ 18,336.00

	\$ 221,699.00		\$ 221,699.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Silsbee DRS 060082

The City of Silsbee is requesting to transfer \$12,219 from the debris activities line item, and \$268 from the fire protection facilities line item to move \$12,487 into the street improvements line item to repair additional roads damaged by Hurricane Rita. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Water Facilities	\$ 90,836.00		\$ -	\$ 90,836.00
Sewer Facilities	\$ 162,221.00		\$ -	\$ 162,221.00
Street Improvements	\$ 13,319.00	+	\$ 12,487.00	\$ 25,806.00
Debris Activities	\$ 12,219.00	-	\$ 12,219.00	\$ -
Fire Protection Facilities	\$ 268.00	-	\$ 268.00	\$ -
Engineering	\$ 21,137.00		\$ -	\$ 21,137.00
Planning / Project Delivery	\$ 15,000.00		\$ -	\$ 15,000.00
	\$ 315,000.00			\$ 315,000.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Kirbyville DRS 060046

The City of Kirbyville is requesting to transfer \$31,833 from the other public utilities line item and \$14,129 from the debris activities line item to move \$33,526 to the water facilities line item and \$12,436 to the sewer facilities line item to repair additional water and sewer facilities damaged by Hurricane Rita. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ 8,802.00	+	\$ 33,526.00	\$ 42,328.00
Sewer Facilities	\$ 5,564.00	+	\$ 12,436.00	\$ 18,000.00
Debris Activities	\$ 129,491.00	-	\$ 14,129.00	\$ 115,362.00
Other Public Facilities	\$ 31,833.00	-	\$ 31,833.00	\$ -
Planning / Project Delivery	\$ 13,200.00		\$ -	\$ 13,200.00
	\$ 188,890.00			\$ 188,890.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Newton DRS 060060

The City of Newton is requesting to transfer \$4140 from the water facilities line item, \$109,707 from the other public utilities line item, and \$11,256 from the street improvements line item to move \$101,337 into the sewer facilities line item and 23,766 to the drainage line item. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ 4,140.00	-	\$ 4,140.00	\$ -
Sewer Facilities	\$ 2,015.00	+	\$ 101,337.00	\$ 103,352.00
Other Public Utilities (Electric)	\$ 109,707.00	-	\$ 109,707.00	\$ -
Street Improvements	\$ 11,256.00	-	\$ 11,256.00	\$ -
Drainage Facilities	\$ 33,321.00	+	\$ 23,766.00	\$ 57,087.00
Planning / Project Delivery	\$ 12,290.00		\$ -	\$ 12,290.00
	\$ 172,729.00			\$ 172,729.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Port Neches DRS 060073

The City of Port Neches is requesting to transfer to move \$18,615 from the water facilities line item, \$17,451 from the sewer facilities line item, \$1853 from the street improvements line item, \$30,000 from the debris activities line item, and \$443 from the fire protection line item to move \$39,254 into the senior center line item to acquire an appropriately sized generator and \$7680 into specially authorized public facilities, and \$21,428 into engineering. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	\$ 141,615.00	-	\$ 18,615.00	\$ 123,000.00

Sewer Facilities	\$ 117,451.00	-	\$ 17,451.00	\$ 100,000.00
Street Improvements	\$ 1,853.00	-	\$ 1,853.00	\$ -
Debris Activities	\$ 30,000.00	-	\$ 30,000.00	\$ -
Neighborhood Facilities	\$ 2,508.00		\$ -	\$ 2,508.00
Senior Center	\$ 45,746.00	+	\$ 39,254.00	\$ 85,000.00
Fire Protection Facilities	\$ 443.00	-	\$ 443.00	\$ -
Specially Authorized Public Facility	\$ 77,637.00	+	\$ 7,680.00	\$ 85,317.00
Engineering	\$ 57,747.00	+	\$ 21,428.00	\$ 79,175.00
Planning / Project Delivery	\$ 25,000.00		\$ -	\$ 25,000.00
	\$ 500,000.00			\$ 500,000.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

III. Expedite HMGP Projects

The following communities are requesting budget amendments to move CDBG Round 1 funds to the beginning of the HMGP projects the funds are being used to match. Contract funds will be drawn as requested but contracts will not be closed until project completion.

City of Center DRS 060010

The City of Center is requesting to transfer \$346 from the sewer facilities line item, \$300 from the street improvements line item, and \$183,641 from the neighborhood facilities line item to move \$184,287 in to the engineering line item in an effort to expedite spending of project funds. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Sewer Facilities	\$ 346.00	-	\$ 346.00	\$ -
Street Improvements	\$ 300.00	-	\$ 300.00	\$ -
Neighborhood Facilities	\$ 183,641.00	-	\$ 183,641.00	\$ -
Engineering	\$ -	+	\$ 184,287.00	\$ 184,287.00
Planning Study				
	\$ 184,287.00			\$ 184,287.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Carthage DRS 060009

The City of Carthage is requesting to transfer \$190,000 from the neighborhood facilities line item in to the engineering line item in an effort to expedite spending of project funds. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Neighborhood Facilities	\$ 313,205.00	-	\$ 190,000.00	\$ 123,205.00
Engineering	\$ -	+	\$ 190,000.00	\$ 190,000.00
Planning / Project Delivery	\$ 25,395.00		\$ -	\$ 25,395.00

	\$ 338,600.00		\$ 338,600.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Henderson DRS 060033

The City of Henderson is requesting to transfer \$190,000 from the neighborhood facilities line item in to the engineering line item in an effort to expedite spending of project funds. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget	Change (+/-)		Revised Budget
Neighborhood Facilities	\$ 313,205.00	-	\$ 190,000.00	\$ 123,205.00
Engineering	\$ -	+	\$ 190,000.00	\$ 190,000.00
Planning / Project Delivery	\$ 25,395.00		\$ -	\$ 25,395.00
	\$ 338,600.00			\$ 338,600.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

IV. Downsize of HMGP Projects

The following communities are requesting budget and / or performance statement amendments to decrease the total scope of work to only that being paid for by the CDBG Round 1 funds. Additional funds to be provided by FEMA are still being delayed and this amendment will allow the communities to begin the projects and complete "phase I" or about 25% of the original project within the constraints of the contract term. Simultaneously the communities will continue to work FEMA to acquire the remaining funds.

City of Splendora DRS 060084

The City of Splendora is requesting a performance statement amendment to reduce the scope of work to 160 linear feet of box culverts and 7500 linear feet of ditch excavation along FM 2090 from Ruby Street and Coleman Road to Coleman Lake Road. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Dayton DRS 060021

The City of Dayton is requesting a performance statement amendment to reduce the scope of work to 210 linear feet of driveway culverts and 4200 linear feet of roadway ditch cleaning on Sawmill Road from U S 90 and Waco Street to Klemp Road. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Panorama Village DRS 060066

The City of Panorama Village is requesting a performance statement amendment to reduce the scope of work to regrade and resod approximately 9300 linear feet of open ditches and replace 4 culverts to direct and reduce flooding along Panorama Drive, Greenbriar Drive, Cherry Hill Drive, Greentree Lane, and El Dorado Street. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Cove DRS 060018

The City of Cove is requesting to transfer \$17,381 from the drainage activity line item and \$16,000 from the acquisition line item to move \$26,000 in to the engineering line item and \$7381 in to the planning / project delivery line item. These changes will allow the City to construct culverts and headwalls in 3 locations to augment existing drainage systems consisting of 1 acre of clearing and grubbing, 2500 cubic yards of channel excavation and hauling, and 150 linear feet of filter dams. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Drainage Facilities	\$ 290,481.00	-	\$ 17,381.00	\$ 273,100.00
Acquisition	\$ 16,000.00	-	\$ 16,000.00	\$ -
Engineering	\$ 16,000.00	+	\$ 26,000.00	\$ 42,000.00

Planning / Project Delivery	\$ 22,574.00	+	\$ 7,381.00	\$ 29,955.00
	\$ 345,055.00			\$ 345,055.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Willis DRS 060093

The City of Willis is requesting a performance statement amendment to reduce the scope of work to remove and reset 6 ditch culverts and clear, regrade, and enlarge Crystal Creek from FM 1097 to Powell Street. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

Chambers County DRS 060011

Chambers County is requesting a performance statement amendment to reduce the scope of work to remove the safe house / shelter from the scope of work. The County will instead use the funds to purchase and install 3 emergency generators at 3 locations in the County that can be used to shelter essential personnel and residents. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Cleveland DRS 060014

The City of Cleveland is requesting a performance statement amendment to reduce the scope of work to 2235 linear feet of concrete box culvert, 1135 linear feet of reinforced concrete pipe, 192 linear feet of aluminized pipe, 144 linear feet of metal guard beam fence and 15,586 cubic yards of channel excavation and seeding, erosion, and street replacement items. There will be no change in the number of beneficiaries associated with this contract.

Requested Action

ORCA recommends approval of the amendment as detailed above.

City of Groves DRS 060029

The City of Groves is requesting to transfer \$42,000 from the sewer facilities line item and \$65,006 from the debris activities line item to move \$74,326 in to the water facilities line item, \$16,000 in to the fire protection line item, and \$16,680 into the engineering line item to make

repairs to a water tower damaged by Hurricane Rita, pick up additional debris citywide, and add another generator at the fire / police station. There will be no change in the number of beneficiaries associated with this contract.

Activity	Current Budget		Change (+/-)	Revised Budget
Water Facilities	\$ 140,674.00	+	\$ 74,326.00	\$ 215,000.00
Sewer Facilities	\$ 42,000.00	-	\$ 42,000.00	0
Street Improvements	\$ 14,379.00		\$ -	\$ 14,379.00
Debris Activities	\$ 219,286.00	-	\$ 65,006.00	\$ 154,280.00
Fire Protection Facilities	\$ 48,661.00	+	\$ 16,000.00	\$ 64,661.00
Engineering	\$ 10,000.00	+	\$ 16,680.00	\$ 26,680.00
Planning / Project Delivery	\$ 25,000.00		\$ -	\$ 25,000.00
	\$ 500,000.00			\$ 500,000.00

Requested Action

ORCA recommends approval of the amendment as detailed above.

Internal Audit Division
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation, discussion and possible approval of the proposed FY 2008 Internal Audit Plan.

Required Action

Board approval of the plan.

Background

The Texas Internal Auditing Act (Tex. Gov't Code Section 2102.008) states that, "The annual audit plan developed by the internal auditor must be approved by the state agency's governing board or its designee...."

A copy of the proposed FY 2008 Internal Audit Plan is provided.

Recommendation

Staff recommends that the Board approve the FY 2008 Internal Audit Plan as presented.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT PLAN
FISCAL YEAR 2008**

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	General Objectives	Estimated Completion Date
LIHTC Program – Phase I (carryover from FY2007)	<p><u>Phase I: Pre-Application and Notification:</u> To review the pre-application and notification phases of the Low Income Housing Tax Credit (LIHTC) Program for the 2007 tax application cycle to:</p> <ul style="list-style-type: none"> ➤ identify significant risks ➤ evaluate whether there are adequate controls in place to address the risks, ➤ determine whether the Department has complied with all LIHTC requirements. <p><i>(Note: This project was a carryover from the FY 2007 work plan. It was completed in October.)</i></p>	Completed in October 2007
LIHTC Program – Phase II (carryover from FY2007)	<p><u>Phase II: Scoring, Threshold and Awards:</u> To review the staff scoring, threshold review and awards phases of the Low Income Housing Tax Credit (LIHTC) Program for the 2007 tax application cycle to:</p> <ul style="list-style-type: none"> ➤ identify significant risks ➤ evaluate whether there are adequate controls in place to address the risks, ➤ determine whether the Department has complied with all LIHTC requirements. <p><i>(Note: This project is a carryover from the FY 2007 work plan. It is currently underway.)</i></p>	Completed in December 2007
Community Affairs – Community Services Block Grant and Emergency Shelter Block Grants	<p>To review the draw processing and monitoring functions of the Community Affairs Division’s Community Services Block Grant and Emergency Shelter Block Grant programs to determine if :</p> <ul style="list-style-type: none"> ➤ the risk assessment process results in monitoring the highest risk subrecipients ➤ the monitoring instruments are sufficient to accurately verify reported expenditures ➤ the subrecipients are eligible, and ➤ the expenditures are supported, in compliance with laws, regulations and rules, and ➤ programs are achieving performance goals. 	February 2008
OCI – Border Field Program	<p>To review the border field staff monitoring process for all OCI programs to ensure that:</p> <ul style="list-style-type: none"> ➤ draw processing policies and procedures provide reasonable assurance that subrecipient draw 	

INTERNAL AUDITS AND OTHER ACTIVITIES

Project	General Objectives	Estimated Completion Date
	<p>requests for reimbursement of expenditures are :</p> <ul style="list-style-type: none"> ○ adequately supported ○ comply with relevant laws, regulations, policies, and contract provisions ○ properly authorized/approved <ul style="list-style-type: none"> ➤ desk review procedures result in accurate and complete contract files and compliance with federal cost principles ➤ quarterly reports are submitted to the Office of Rural and Community Affairs as required. 	<p align="center">April 2008</p>
<p>Office of Colonia Initiatives – Bootstrap Program</p>	<p>To review the Office of Colonia Initiatives’ Bootstrap program to determine if:</p> <ul style="list-style-type: none"> ➤ controls are in place to ensure owner-builder requirements are met ➤ Technical Assistance Providers are in compliance with all relevant laws, regulations and guidelines relating to processing applications and the construction of homes and are achieving performance statements ➤ draws are adequately supported and approved ➤ desk reviews of subrecipient contracts ensure compliance with applicable laws, regulations, program rules, contract terms and performance goals ➤ the results of monitoring reviews are communicated to subrecipients in a timely manner ➤ the reservation system results in an increase in the disbursement of funds ➤ factors causing delays in the release of funds are identified and resolved. <p>We will also follow up on the findings related to the program’s eligibility determinations and expenditures of funds that were identified by the State Auditor’s Office during their recent review of the disaster recovery program.</p>	<p align="center">June 2008</p>
<p>CDBG Disaster Recovery Program (carryover from FY2007)</p>	<p><u>Phase II: Testing of Set Ups and Draws</u></p> <p>To assess whether the Department’s payment and draw processing provides reasonable assurance that sub-recipient requests for reimbursement of expenditures:</p> <ul style="list-style-type: none"> ➤ comply with applicable laws, regulations, policies, and contract provisions, ➤ are adequately supported (including support for allowable activities, costs and eligibility to participate in the program), ➤ are properly posted to the accounting and program systems, and 	<p align="center">July 2008</p>

INTERNAL AUDITS AND OTHER ACTIVITIES

Project	General Objectives	Estimated Completion Date
	<p>➤ are properly authorized or approved.</p> <p><i>(Note: This project was delayed from FY 2007 in order to have a sufficient number of payments to test.)</i></p>	
<p>CDBG Disaster Recovery Program (carryover from FY2007)</p>	<p><u>Phase III: Sub-recipient Monitoring</u></p> <ul style="list-style-type: none"> • To evaluate the sub-recipient monitoring procedures, processes and on-site visits to assess whether the program ensures that sub-recipients: <ul style="list-style-type: none"> ➤ comply with applicable laws, regulations, program rules, and contract terms, ➤ operate within expenditure budgets and limits, ➤ expend administration and program funds at allowable rates, and ➤ meet contract performance goals. • To assess whether monitoring results are communicated to sub-recipients and any findings or exceptions are noted, tracked and monitored until resolved. <p><i>(Note: This audit was combined with the Phase I, Report III audit on the FY 2007 work plan which covered the control design of sub-recipient monitoring. It was delayed from FY 2007 in order for the program staff to develop and implement the processes and to enable follow-up on the SAO findings.)</i></p> <p>We will also follow up on the findings related to the program’s sub-recipient monitoring that were identified by the State Auditor’s Office during their recent review of the disaster recovery program.</p>	<p align="center">September 2008</p>

OTHER ACTIVITIES

These are required activities that are part of Internal Audit's overall responsibilities.

Follow-Up on Status of Prior Internal Audit Issues	To independently verify corrective actions taken by management in response to prior internal audit issues. Follow-up projects will be pursued during the course of current related audits when the issues have been reported as implemented by management. We will also prioritize and evaluate issues that have been reported as implemented on an ongoing basis (as time allows.)	Ongoing
Tracking the Status of Prior Audit Issues	To track the status of prior audit issues for management/board reporting purposes.	Ongoing
FY 2008 Annual Audit Plan	To develop an annual audit plan for FY 2008 as required by the Texas Internal Auditing Act.	December 2007
FY 2008 Annual Internal Audit Report	To prepare an annual internal auditing report for FY 2007 pursuant to the Texas Internal Auditing Act.	December 2008
Revision of Internal Audit Division Charter and Policies and Procedures	To comply with the new July 2007 edition of the <i>Government Auditing Standards</i> .	February 2008
Coordinate External Auditors	To coordinate and assist external auditors.	As Needed

Internal Audit Division
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation, discussion and possible approval of the proposed fraud, waste and abuse hotline.

Required Action

Board approval or support of the hotline.

Background

The proposed TDHCA fraud, waste and abuse hotline would ensure an anonymous, third party avenue for Department employees and other stakeholders to report suspicions of wrongdoing. See the proposal summary attached.

Recommendation

Staff recommends that the Board approve entering into an agreement with The Network to conduct a fraud, waste and abuse hotline.

Proposal for a TDHCA Fraud Hotline

The objectives of implementing a fraud hotline are to:

- reduce losses from illegal or unethical activities
- protect the anonymity of whistleblowers
- promote ethical practices
- assist the Department in efforts to detect and deter fraud, waste, and abuse

In its 2004 Report to the Nation, the Association of Certified Fraud Examiners (ACFE) found that agencies detect fraud most often through a tip. The best way to gather this information is through an anonymous hotline. The ACFE determined that agencies with a hotline typically cut their fraud losses in half.

Audit standards, OMB Circular A-123, Sarbanes-Oxley and other regulatory requirements include the expectation that an evaluation of internal controls includes consideration of fraud, waste and abuse. Internal audit frequently receives anonymous “tips” regarding potential instances of wrongdoing, but often the information is unreliable, incomplete or unverifiable because of the manner in which it was provided. A hotline would ensure that employees and stakeholders have a means to make anonymous complaints and that the Internal Audit and Legal Divisions are provided with adequate information to investigate complaints.

The Network Fraud Hotline

The Network is a third-party administrator of anonymous hotlines with over 25 years of experience. They serve over 2,500 organizations, including almost half of the Fortune 500 companies. Their clients include the Texas Comptroller of Public Accounts, the Texas General Land Office, the State of New Mexico, the US Federal Housing and Finance Board, and the Wisconsin Housing and Economic Development Authority.

Internal Audit contacted the Comptroller’s Office and they reported that they receive approximately 25 calls per month. They have used the Network for over a year for employees and have found that it provides useful information on allegations of fraud, waste and abuse.

Contracting with the Network would provide a method for TDHCA employees or other agency stakeholders to anonymously report their concerns about fraud, waste or abuse. The services would be provided 24 hours a day, 365 days a year. Information can be provided anonymously via a telephone hotline, a fax line, a post office box address or via a web-based self-reporting system.

After a call or contact is received, phone interviews are conducted by experienced interview specialists asking a series of open-ended questions, followed by questions that are suggested based on the criteria established by TDHCA. The calls or contacts would be screened to make sure that they meet the Department’s criteria for reporting. This would ensure that the reports we receive are not general complaints that should be

addressed directly with the Department or some other entity. The Network's optional software would also allow the Department's management to enter reports made through internal channels directly into their automated case management system.

Information received by the Network will automatically be converted into an incident report with critical facts identified at the top and more detailed information organized chronologically below. The Network system will flag critical incident reports and will notify the designated emergency contact if necessary.

The optional web-based case management system software will allow the department to document all investigation activities in a single, centralized database and will provide a historical record of the investigations from initial notification through final resolution. The system will send automatic e-mail alerts to notify the appropriate users of a new case or a request for action by another user. The users will be able to create reports for specific divisions, timeframes, or incident types.

Program Costs:

- \$1,200 annual fee for a 12 month contract based on 300 employees and the general public.
- any calls after the cap of 30 original incident reports and 36 general inquiries would cost:
 - \$35.00 per call for calls resulting in an incident report
 - \$4.50 per call for all other calls (general inquiry calls, call backs, etc.)
- Education and awareness materials are also available at an additional cost of \$1 to \$3 per employee based on the program provided. These materials could include brochures, paycheck stuffers, and/or an implementation guide.
- The optional case management software is \$750 a year for case managers and \$250 a year for investigators. We would likely need at least one designated case manager (Internal Audit Director) and one investigator (to be determined).

Possible distribution plans include:

- a prominent notice on the Department's web site and intranet
- notices posted in field offices and in break rooms
- information will be shared with exiting employees during exit interviews
- listed on business cards and department letterhead (as new supplies are ordered)
- brochures or business cards to distribute to consumer advocacy or trade groups

Internal Audit Division
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation and discussion of internal audit report on the 9% Competitive Housing Tax Credit Program – Pre-Application and Notification Processes.

Required Action

None, information item only.

Background

The Multifamily Finance Production Division has adequate processes to track application files through the pre-application and notification phases of the 9% Competitive Housing Tax Credit cycle. These processes:

- provide three reviews of each application including a final review by the program administrator,
- ensure the required information is posted to the Department's web site as required by statute, and
- enable developers, elected officials and members of the public to be informed of and to participate in the pre-application process.

We identified opportunities to strengthen the processes:

- The Division should consistently date and time stamp the pre-applications and payments as they are received. The date and time that the pre-application and payment was received was not documented in 5 of the 79 files we tested.
- All of the requirements of the pre-application process included in the Qualified Allocation Plan and Rules (QAP) should be reviewed and documented. Proper site control documentation was not collected in 3 of the 79 files we tested.
- The pre-application review sheets should be completed correctly and any deficiencies should be explained and documented. We found errors in 5 of the 79 files we tested, but these errors were not documented on the review sheets.
- The Division should develop processes to document compliance with the notification requirements to elected officials and the notification of opposition rules. The written notifications to elected officials are not kept in the application files. All 22 applicants who received opposition to their development were notified as required, but the supporting documentation of the notifications was not consistently retained.

Management agreed with our findings and is working to implement our recommendations.

Recommendation

No action is required.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

October 5, 2007

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
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Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

To the Audit Committee and Governing Board of the
Texas Department of Housing and Community Affairs

Re: Internal Audit Report on the 9% Competitive Housing Tax Credit Program –
Compliance Review of Pre-Application and Notification Processes

The Internal Audit Division has completed its audit on the pre-application and notification processes for the Department's 9% Competitive Housing Tax Credit Program.

The Texas Department of Housing and Community Affairs (Department) has designed adequate policies and procedures to provide reasonable assurance application files are tracked through the pre-application and notification phases of the tax credit cycle. In addition, the Department is posting required information to its website on a timely basis, and allowing the opportunity for applicants, elected officials, and the general public to provide feedback on proposed developments. We tested the pre-application and notification processes to ensure that policies and procedures were implemented as designed.

We noted that the Department has opportunities to strengthen the processes by consistently documenting the date and time pre-applications, fee receipts, applications, and supporting documentation are received. In addition, the Department should ensure completeness review sheets are used to document any administrative deficiencies. Finally, the Department should develop a process by which notifications sent to elected officials, and to developers for which the Department received opposition to their project, are documented within the application file.

Management generally agrees with our recommendations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sandra Q. Donoho".

Sandra Q. Donoho, MPA, CISA, CIA, CFE
Director of Internal Audit

Assigned to this audit:
Greg Magness, CIA, CGAP
Colleen Bauer

cc: Mr. Michael Gerber, Executive Director
Ms. Brooke Boston, Deputy Executive Director of Programs
Ms. Robbye Meyer, Director of Multifamily Finance Production

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***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Executive Summary

Overall Conclusion

The Multifamily Finance Production Division has developed processes that adequately track application files through the pre-application and notification phases of the 9% Competitive Housing Tax Credit cycle. In addition, these processes:

- Provide for each pre-application to be reviewed by three people within the Division, including a final review by the program administrator,
- Ensure required information is posted to the Department's website within timelines established by State rules and regulations, and Enable developers, elected officials, and members of the general public to be informed of, and to provide feedback on, pre-application information prior to the formal application process.

However, opportunities were identified to strengthen these processes.

Key Points

- The date and time the pre-application and documentation, the application fee receipt, and the responses to administrative deficiencies are received is not consistently documented. The date and time the pre-application and payment was received was not documented in 5 of the 79 files tested. Also no date was located on the deficiency response for 2 of the 79 files tested.(Section 1-A)
- Proper site control documentation was not collected from the applicants in 3 of the 79 files tested, but the pre-application passed the completeness review performed by the Department. (Section 1-B)
- The completeness review sheet used by Multifamily Finance Production Division is generally adequate to provide reasonable assurance of compliance with laws, rules, and regulations when completed correctly. However, there were errors in the pre-application and documentation in 5 of the 79 files tested with no deficiencies noted on the review sheet. (Section 1-C)
- The written notifications the Department is required to send to elected officials are not kept in the application file nor documented on the communication log. (Section 2-A)
- There were 22 applications for which the Department received opposition to the development and all 22 applicants were notified by the Department of the opposition. However, the documentation supporting these notifications was not consistently retained. (Section 2-B)

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Summary of Recommendations

- All pre-applications, fee receipts, applications, and responses to administrative deficiencies should be date and time stamped with an electronic clock to document when these items were received by the Department. (Section 1-A)
- The Department should ensure that all requirements of the pre-application process included in the Housing Tax Credit Qualified Allocation Plan and Rules (QAP) are reviewed and documented. (Section 1-B)
- The Department should complete the pre-application review sheets correctly and ensure that any deficiencies or blanks are explained and documented. In addition, Multifamily Finance Production Division should develop a procedure to include all pre-application data forms in the application files. This will ensure that documentation exists for any changes made to the Department's database from the time of initial data entry to the time the tax credits are awarded. (Section 1-C)
- The Multifamily Finance Production Division should develop a process to document compliance with the written notification requirements to elected officials. (Section 2-A)
- The Multifamily Finance Production Division should develop a process to maintain documentation in compliance with the notification of opposition rules of the Low Income Housing Tax Credit Program. (Section 2-B)

Summary of Management's Response

Management generally agrees with the audit findings and is taking steps to implement the recommendations.

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Background

The Low Income Housing Tax Credit Program (LIHTC) was created by the Tax Reform Act of 1986 and is governed by the Internal Revenue Code of 1986, 26 USC 42, to provide for credits against federal income taxes for owners of qualified low-income rental housing developments. The Texas Department of Housing and Community Affairs (Department) is given the authorization to make LIHTC allocations for the State of Texas through the Texas Government Code, Chapter 2306, Subchapter DD.

The Department developed, and annually updates, the Housing Tax Credit Qualified Allocation Plan and Rules (QAP) to provide information regarding administration and eligibility for the LIHTC. The goal of the Department and its Governing Board is to encourage diversity through broad geographic allocation of tax credits within the state in accordance with the regional allocation formula, to promote maximum utilization of the available tax credit amount, and to allocate credits among as many different entities as practical without diminishing the quality of the housing being built.

The purpose of the program is to:

- administer tax credits to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, affordable rental housing in the private marketplace,
- maximize the number of suitable, affordable residential rental units across the state,
- prevent losses to the state's supply of suitable, affordable residential rental units by enabling the rehabilitation of rental housing or by providing other preventive financial support, and
- provide for the participation of for-profit organizations while encouraging the participation of nonprofit organizations in the acquisition, development, and operation of suitable residential rental units.

The Department divides the LIHTC into two sections, the 9% Competitive Housing Tax Credit Program and the 4% Bond Housing Tax Credit Program. For the 2007 cycle period, the estimated available tax credits for the 9% Competitive Housing Tax Credit Program applications are approximately \$43 million. The housing credit allocations made to tax exempt bond developments are not included in the State housing credit ceiling.

**Internal Audit of the 9%
Competitive Housing Tax
Credit Program**

This is the first internal audit report of a series of reports to be released by the Texas Department of Housing and Community Affairs' Internal Audit Division relating to the Department's 9% Competitive Housing Tax Credit Program.

The audit is being conducted in three separate phases.

- Phase 1 consists of a review of the pre-application and notification processes.
- Phase 2 consists of a review of the application and award processes.
- Phase 3 consists of a review of the appeal and challenges processes.

A separate report will be released for each phase of the audit. See the Objectives, Scope and Methodology Section at the end of this report for more information.

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

The credit amount for which a development may be eligible depends on: (1) the amount and type of additional funding sources, (2) the total amount of qualified development costs to be incurred, (3) the percentage of rent restricted units set aside in the development for eligible tenants, and (4) location in communities designated as difficult development areas and qualified census tracts. The Department limits the allocation of tax credits to no more than \$1.2 million per development.

To qualify for tax credits, the proposed development must involve new construction or undergo substantial rehabilitation of residential units (at least \$12,000 per unit in direct hard cost). Pursuant to 26 U.S.C. 42, a low income housing project qualifies for residential rental occupancy if it meets one of the following two criteria: (1) 20% or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50% or less of area median family income (AMFI), or (2) 40% or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60% or less of AMFI.

The LIHTC has two phases during the 9% Competitive Tax Credits Cycle period: the pre-application phase and the application phase. The pre-application phase is used to help the development community determine how they compare to other developments planning to apply for credits in order for them to make an educated business decision as to whether it will be cost-effective to continue with the application process. The application phase is when all applicants requesting housing tax credits are required to submit an application between December 8, 2006 and March 1, 2007. The application phase will be discussed in the phase 2 audit report.

(See Appendix 1 on page 13 for further information on the objectives of phase 2 and phase 3.)

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Detailed Results

Section I

Pre-Application Process

The pre-application phase is required for applicants who are requesting the United States Department of Agriculture (USDA) and/or At-Risk Development set-asides for their proposed project and is used by the majority of the applicants because there is a scoring incentive to do so. The applicants requesting a set-aside are required to submit a completed pre-application submission form or an intent to request form by the end of the pre-application acceptance period. The pre-application acceptance period for the 2007 cycle starts on December 8, 2006 and ends on January 8, 2007.

The Department performs a review on the pre-applications received in order to ensure all required information is documented on the pre-application submission or intent to request form, that proper site control documentation is provided, and that the applicant has certified that all required officials were notified of the proposed development. Each pre-application is required to be reviewed by three different individuals, including the program administrator of the 9% Competitive Housing Tax Credit Program. When a reviewer discovers an issue, the Department sends an administrative deficiency notice to the applicant requesting clarification or additional information. Applicants have five days from the date of the notice to provide the information without incurring a penalty.

Section I-A:

The Date and Time When Information Is Submitted Should Be Consistently Documented

The date and time the pre-application documentation is received is not consistently documented. The pre-application form and the payment receipt are date and time stamped by the Department when the application is received. However, we found that:

- 1 of the 79 pre-application files tested did not have the date and time stamp on either the pre-application or the pre-application fee receipt.
- 4 of the 79 pre-application files tested did not have the date and time stamp on the pre-applications forms, but a date was located on the fee receipt.

In addition, there were several instances where the date and time was hand-written onto the pre-application and/or fee receipt. These instances were not counted as errors in the numbers above.

According to the Texas Administrative Code, Section 49.8, the pre-application submission form/intent to request form and the pre-application fee are due to the Department during the pre-application acceptance period ending January 8, 2007.

Without a date and time stamp on the pre-application or pre-application fee receipt, it is not possible to determine if the documents were received during the pre-application acceptance period established by the Texas Administration Code. This is important in

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

those instances when another developer, an elected official, or someone from the general public challenges the validity of the application. In addition, the lack of a date and time stamp, or using hand-written stamps, creates an opportunity for employees to fraudulently back-date applications.

Of the 19 pre-applications reviewed where an administrative deficiency was discovered by the Department during the completeness review, there were two instances in which the date the deficiency response was received from the applicant was not documented on the response itself.

The applicant has 5 business days from the date the deficiency notice is received to respond to the notice without points being deducted from their total application score. If no response is received within 5 business days, 5 points will be deducted from the total score for each additional day the deficiency remains unresolved. The pre-application is terminated on the 7th business day if a response has not been received by the Department.

With no date documented on the response, it can not be determined if the response was actually received within the allowed timeframe, if points should be deducted from the total application score due to a late submission, or if the pre-application should be terminated because the response was not received within the 7-day period.

Recommendation

All pre-applications, fee receipts, applications, and responses to administrative deficiencies should be date and time stamped with an electronic clock to document when these items were received by the Department. This will provide evidence that applicants submitted their documents within the allotted timeframe, and reduce the opportunity for employees to fraudulently back-date applications.

Management's Response

The Multifamily Division will reinforce the importance of using the electronic date and time stamps during the pre-application intake training of all Multifamily staff.

Target date for completion – January 31, 2008

Section 1-B:

Site Control Documentation Should Be Verified

Proper site control documentation was not collected from the applicant in 3 of the 79 files tested, but the pre-application passed the completeness review completed by the Department. Three types of documentation can be provided by the applicant for evidence of site control: (1) a recorded warranty deed, (2) a lease, or (3) a contract for sale or option to purchase.

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Section 1-C:

Completeness Review Sheets Should Be Completed Correctly

The completeness review sheet used by Multifamily Finance Production Division is generally adequate to provide reasonable assurance of compliance with laws, rules and regulations when completed correctly. One of the assurances the review sheet provides is that three people review the pre-application to ensure all of the required information and documentation has been provided by the applicant.

We found errors in the following pre-applications; however, no deficiency was noted by the pre-application reviewers. One pre-application was missing the second contact fax number, but the review item on the review sheet was checked indicating all of the required information was located in that section of the pre-application.

In addition, we found instances where the pre-application completeness review sheets were not completed correctly:

- 2 of the 79 pre-application completeness review sheets tested did not document review of the pre-application data form. This form is a printout of the information contained in the Department's database, and is reviewed for accuracy. These forms are marked when errors are discovered, and are then submitted for database correction. However, the forms are not consistently retained to document the changes made to the database.
- 2 of the 79 pre-application completeness review sheets tested did not have the certification of notification section completed by the first reviewer, however no deficiency was documented.

Recommendation

The Department should complete the pre-application review sheets correctly and ensure any deficiencies or blanks are explained and documented. In addition, the Multifamily Finance Production Division should develop a procedure to include all pre-application data forms in the application files. This will ensure documentation exists for any changes made to the Department's database from the time of initial data entry to the time the tax credits are awarded.

Management's Response

The audit recommendation will be accepted and implemented. The Multifamily Division currently conducts training on the review sheets prior to the beginning of the cycle. This training, for the 2008 Cycle, will instruct and clarify with staff "how to complete the form correctly" and reinforce the importance of filling out the pre-application review sheet correctly. Additionally, the Multifamily Director will reinforce to supervisors that a thorough review of these review sheets be performed. A space for the notification date will be added to the review sheet and date form so staff will have to write out the date. The Multifamily Division will also keep all the data forms from each application file, even after changes have been made to the database.

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Target date for completion – February 29, 2008

Section 2

Notification Process

The Department is required by the QAP and the Texas Government Code, Chapter 2306, Subchapter DD to complete notifications to elected officials, applicants, and the public throughout the cycle period. Elected officials are notified by the Department in writing of all proposed developments in their area in order to give them an opportunity to provide the Department with their support or opposition for each individual development. Applicants are then notified by the Department if any opposition is received. The applicants and the general public are informed about tax credit applications when the Department posts the following information on its website:

- The pre-application submission log listing all pre-applications received during the acceptance period with the score requested
- Evaluations and assessments of the pre-applications
- The application submission log listing all applications received during the acceptance period with the initial score they received
- The application scoring results after completion of the eligibility, selection, and threshold review
- The application log listing all developments ranked by the score they received and compared to the scores of other developments within their region of the State.

The open, transparent process the Department uses to notify applicants and the general public provides a system of checks and balances where misstatements, miscalculations, and data-entry errors can be brought to the Department's attention. As a result, the final information can be corrected prior to being provided to the Board, thus ensuring they receive the best, most accurate information from which to base their decisions regarding the allocation of tax credits.

Section 2-A:

Support for the Notifications to Elected Officials Should Be Retained

The written notifications the Department is required to send to elected officials are not kept in the application file nor documented on the communication log. In an effort to streamline the process and reduce the use of paper in the application files, a decision was made to not retain paper copies of the notification letters. However, no compensating process was added to ensure electronic documentation was retained.

The QAP, Section 49.11 (a) (3), requires that "not later than 14 days after the close of the pre-application acceptance period the department shall:

- (B) give notice of a proposed development in writing that provides the information required to required parties.

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

- (I) relevant dates affecting the Application including the date on which the Application was filed, the date or dates on which any hearings on the Application will be held and the date by which a decision on the Application will be made;
- (II) A summary of relevant facts associated with the Development;
- (III) A summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and
- (IV) The name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.”

Without documentation showing letters were sent to the elected officials as required, the Department can not prove all required parties were notified and provided with a chance to express their support of, or opposition to, the proposed development.

Recommendation

The Multifamily Finance Production Division should develop a process to document compliance with the written notification requirements. This will ensure the Department can refute any challenges by other developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Management's Response

The audit recommendation will be implemented. Multifamily staff will begin keeping a hardcopy of the letters and emails sent to elected officials until another system of notification is created.

Target date for completion – January 31, 2008

Section 2-B:

Documentation of Notification Regarding Opposition Should Be Consistently Retained

There were 22 applications for which the Department received opposition to the development and all 22 applicants were notified by the Department of the opposition to their development; however, the documentation supporting these notifications was not consistently retained. In an effort to streamline the process and reduce the use of paper in the application files, a decision was made to not retain paper copies of the notification letters. However, no compensating process was added to ensure that all electronic documentation was retained.

In 6 of the 22 files, the Department could not find a copy of the e-mail notification sent to the applicant. In order to provide this documentation, the Department contacted the applicants and asked them to send the Department a copy of the email notification originally sent to them. Two of the 6 missing e-mails received from these applicants

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

included sufficient information to support the Department's notifying the applicant as required.

Section 49.11 (a) (6) of the QAP states, "Approximately forty days prior to the date of the July Board meeting at which the issuance of commitment notices shall be discussed, the Department will notify each applicant of the receipt of any opposition received by the Department relating to his or her development at that time."

Without retaining support for the notification of opposition, it can not be determined if the notifications were sent by the date required by the QAP. This is important in those instances when another developer, elected official, or someone from the general public challenges the validity of the application. In addition, the Department could not refute an accusation if one of these six developers were to accuse the Department of failing to notify them of opposition.

Recommendation

The Multifamily Finance Production Division should develop a process that documents compliance with notification of opposition rules of the LIHTC program. This will ensure the Department can refute any challenges by developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Management's Response

The audit recommendation will be implemented. Multifamily staff will begin keeping hardcopies of the letters and emails sent until another system of notification is created.

Target date for completion – January 31, 2008

Section 3

RP-36 – Enterprise Risk Management

In order to meet the requirements of Governor Rick Perry's policy statement RP-36, relating to the elimination of fraud, waste, and abuse in State government, the Texas Department of Housing and Community Affairs created the Enterprise Risk Management Committee (ERMC). The ERMC oversees the Department's risk management program to ensure each division adequately identifies, prioritizes, assesses, documents, reports, monitors and addresses financial, operating, and legal risks. The ERMC is the body primarily charged with overseeing the preparation and submission of the annual report to the Governor's office as required by RP-36.

Section 3-A:

Multifamily Finance Production Should Develop a Risk Mitigation Action Plan

The Multifamily Finance Production Division has not followed up on their RP-36 Risk Assessment by developing a risk mitigation action plan to document the controls in place

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

to address unmitigated high and medium risks, nor a monitoring plan to document how they will test the operating effectiveness of the identified controls .

In a memorandum issued September 14, 2006, the Executive Director outlined to all divisions his expectations as to how the RP-36 Risk Assessments would be addressed. In addition, a report submitted to the Governor's office has also outlined the process stating "Action plans are developed for those risks that are not considered adequately controlled."

The division has not documented how 28 unmitigated risks (23 high risks, 5 medium risks) identified as 'mission critical' will be mitigated with compensating controls.

Recommendation

The Multifamily Finance Production Division should follow Department requirements by developing a risk mitigation action plan to address the 28 unmitigated 'mission critical' risks identified during the Division's risk assessment. In addition, a monitoring plan should also be developed documenting how the Division plans to assess the operating effectiveness of the documented controls on an on-going basis.

Management's Response

Multifamily was one of the first divisions to complete the RP-36 Risk Assessments. The Action Plan needs to be put into the Enterprise format, which will be done.

Target date for completion – It is anticipated this will be complete January 31, 2008

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

Appendix 1:

OBJECTIVES, SCOPE, METHODOLOGY AND OTHER

Objectives

The audit objectives were:

- To assess the control framework of the Multifamily Finance Production Division to provide reasonable assurance that risks associated with the administration of the pre-application and notification processes are being mitigated, and
- To ensure the pre-application and notification processes are administered in a manner that complies with all State laws, regulations, and rules.

Scope

The scope of this audit included consideration of the pre-application and notification processes of the housing tax credit program for the 2007 cycle. More specifically, our audit was limited to the following areas:

- Procedures developed for the pre-application review process
- 2007 Application Submission Procedure Manual (procedure manual)
- 2007 Housing Tax Credit Pre-Application (pre-application)
- 2007 Competitive 9% HTC Application Supplement (supplement)
- 2007 Housing Tax Credit Program Qualified Allocation Plan and Rules with Amendments (QAP)
- Government Code 2306 Subchapter DD - Low Income Housing Tax Credit Program
- Multifamily Pre-Application Completeness Review Checklist
- The Department's Template for Notice to Public
- Internal Timeline- 2007 Multifamily Application Cycle
- 2005 Application Intake Risk Assessment
- Application Intake Flow Chart
- Multifamily Finance Production Organizational Chart
- Pre-Application Submission Log
- Prior internal and external audit issues

The scope of the audit did not include the review of the application submission log for accuracy. Testing of the accuracy of information posted in the application submission log will be tested in connection with Phase 2 of this audit (application and awards processes) and will be reported separately.

Methodology

The methodology consisted of gaining an understanding of the pre-application and notification processes of the housing tax credit program, and testing the Department's processes to ensure compliance with Federal and State rules and regulations. An understanding was gained through staff questionnaires, interviewing staff, reviewing

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

laws, regulations and polices and procedures, and reviewing pre-applications using the completeness review checklist.

Related Audits / Phases

This is the first report of a series of reports to be released by the Department's Internal Audit Division related to the Department's control framework for meeting the objectives of the 9% Competitive Housing Tax Credit Program. The audit is being conducted in three separate phases with a separate report for each phase.

The remaining phases and objectives of our review of the LIHTC program include the following:

- **Phase II-Application and Award Processes**
 - To assess the control framework to provide reasonable assurance that risks associated with the administration of the application and award processes are being mitigated, and
 - To ensure the application and award processes are administered in a manner that complies with all Federal and State laws, regulations, and rules.
- **Phase III-Appeals and Challenges Processes**
 - To assess the control framework to provide reasonable assurance that risks associated with the administration of the appeals and challenges processes are being mitigated, and
 - To ensure the appeals and challenges processes are administered in a manner that complies with all Federal and State laws, regulations, and rules.

Type of Audit/Audit Report

The audit was a performance audit concentrating on the Department's controls over the pre-application and notification processes, as well as a review of policies and procedures designed to provide reasonable assurance of compliance with significant laws, regulations, and program rules.

Report Distribution

Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- Office of the State Auditor

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

- Sunset Advisory Commission

Project Information

Audit fieldwork was conducted from July 2007 through August 2007. The audit was performed in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing.

The following staff performed this audit:

Greg Magness, CIA, CGAP, Audit Project Manager

Colleen Bauer, Internal Audit Team Member

Appreciation to Management and Staff

We wish to express our appreciation to the management and staff of the Multifamily Finance Production Division for their courtesy and cooperation during the course of the audit.

Internal Audit Division
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation and discussion of internal audit report on the 9% Competitive Housing Tax Credit Program –Application and Award Processes.

Required Action

None, information item only.

Background

Generally, the application and award functions of the 9% Competitive Housing Tax Credit Program ensure that applications meet the criteria for awards and that awards are given to the most competitive applications in each region.

We identified some errors and deficiencies in application files that were overlooked by staff. However, we did not identify any applications that should not have been awarded tax credits since the deficiencies could have been corrected.

We noted opportunities for the Department to strengthen the application and award processes:

- Two complete, independent reviews should be performed on each application. At least one error was identified in each of five of the seven files tested that should have resulted in an administrative deficiency notice.
- The Department should require the applicant to notify the Department if the applicant, development owner, developer, guarantor, or any of their related parties is subject to any criminal proceedings during the course of the tax credit cycle. The Department should retain documentation of this information in the application file.
- The Department should improve the organization and structure of the application files in order to increase the likelihood that errors in the files will be identified and corrected.
- The Department should ensure the information submitted to resolve deficiencies is complete and correct. In three instances, administrative deficiencies were resolved, but the information used to clear the deficiency could not be found in the file. In four other instances, the response was insufficient to address the original deficiency, yet the deficiency was cleared.
- The Department should ensure the application review sheets include all of the Qualified Allocation Plan and Rules (QAP) requirements. There were twenty-six QAP requirements not included in the selection, threshold, and Quantified Community Participation (QCP) review sheets used during the application review process.

- The Department should post the application log information and scoring sheets as required by the Texas Government Code. The Department does not post an “application log” but the required information, posted in multiple places on the Department’s web site, should be more clearly identified. In addition, scoring sheets providing details of the application score are not posted as required by the Texas Government Code.
- The Department does a good job of ensuring the information maintained in the Multifamily Finance Production database is complete and accurate, and the information provided to the Board correctly represents the information in the database.
- The Department should ensure all documentation required by the QAP is included in the commitment notice checklist, and that reviewers check to see that all required documentation is received.

Management agreed with our findings and is working to implement our recommendations.

Recommendation

No action is required.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

December 12, 2007

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

To the Audit Committee and Governing Board of the
Texas Department of Housing and Community Affairs

Re: Internal Audit Report on the 9% Competitive Housing Tax Credit Program –
Compliance Review of the Application and Award Processes

The Internal Audit Division has completed its audit on the application and award processes for the Department's 9% Competitive Housing Tax Credit Program.

Generally, the application and award functions of the 9% Competitive Housing Tax Credit Program ensure that applications meet the criteria for awards and that awards are given to the most competitive applications in each region.

Errors that should have resulted in deficiencies were identified in five of the seven application files tested, however, we did not identify any applications that should not have been awarded tax credits since the deficiencies could have been corrected.


We noted opportunities for the Department to strengthen the application and award processes by:

- ensuring two complete, independent reviews of each application,
- confirming that responses to administrative deficiencies are complete and correct,
- linking or referencing the responses to the original documents to facilitate the application review process,
- ensuring that all Qualified Allocation Plan and Rules (QAP) requirements are captured on the review sheets used in assessing the applications, and
- posting all of the required application log information and the scoring sheets on the Department's web site as required by the Texas Government Code.

In addition, the Department should require the applicant to notify the Department if the applicant, development owner, developer, guarantor, or any other related party is subject to any criminal proceedings during the course of the tax credit cycle, and should maintain documentation of this information in the application file.

Management is in agreement with the report's findings and recommendations.

Sincerely,


Sandra Q. Donoho, MPA, CISA, CIA, CFE
Director of Internal Audit

Assigned to this audit:
Greg Magness, CIA, CGAP
Sandra Hoffman, CGAP
Colleen Bauer

cc: Mr. Michael Gerber, Executive Director
Ms. Brooke Boston, Deputy Executive Director for Programs
Ms. Robbye Meyer, Director of Multifamily Finance Production

*An Internal Audit Report on the
9% Competitive Housing Tax Credit Program*

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Overall Conclusion

The Multifamily Finance Production Division ensures that the application and award processes for the 9% Competitive Housing Tax Credit Program are adequately conducted and appropriately documented. This results in applications which meet the criteria for awards and ensures that the awards are given to the most competitive applications in each region.

Errors that should have resulted in deficiencies were identified in five of the seven application files tested; however, we did not identify any applications that should not have been awarded tax credits since the deficiencies could have been corrected. We noted additional opportunities to strengthen the application and award processes.

Key Points

- Two complete, independent reviews should be performed on each application. At least one error was identified in five of the seven files tested that should have resulted in an administrative deficiency notice. (Chapter 1-A)
- The Department should require the applicant to notify the Department if the applicant, development owner, developer, guarantor, or any of their related parties is subject to any criminal proceedings during the course of the tax credit cycle. The Department should retain documentation of this information in the application file. Two individuals were indicted after submitting an application and the required certification, but their developments were still recommended to receive awards for tax credits. This information was not documented in the application files. (Chapter 1-B)
- The Department should improve the organization and structure of the application files in order to increase the likelihood that errors in the files will be identified and corrected. Department staff does not adequately organize or reference documents in the application files. In addition, the applicant's responses to deficiencies are not linked to the original documents within the application file. (Chapter 2-A)
- The Department should ensure the information submitted to resolve deficiencies is complete and correct. In three instances, administrative deficiencies were resolved, but the information used to clear the deficiency could not be found in the file. In four other instances, the response was

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insufficient to address the original deficiency, yet the deficiency was cleared. (Chapter 2-B)

- The Department should ensure the application review sheets include all of the Qualified Allocation Plan and Rules (QAP) requirements. There were twenty-six QAP requirements not included in the selection, threshold, and Quantified Community Participation (QCP) review sheets used during the application review process. (Chapter 3-A)
- The Department should post the application log information and scoring sheets as required by the Texas Government Code. The Department does not post an application log, as defined in statute, to their website. However, the information required by statute as part of the log is posted, but should be more clearly identified. In addition, scoring sheets providing details of the application score are not posted as required by the Texas Government Code. (Chapter 3-B)
- The Department does a good job of ensuring the information maintained in the Multifamily Finance Production database is complete and accurate, and the information provided to the Board correctly represents the information in the database. (Chapter 4)
- The Department should ensure all documentation required by the QAP is included in the commitment notice checklist, and that reviewers check to see that all required documentation is received. Some of the requirements listed in the QAP are not included in the commitment review sheet. (Chapter 4-A)

Summary of Management's Response

Management agrees with the audit findings and recommendations, and has committed to having all of the audit recommendations implemented by January 2009.

Detailed Results

Chapter 1

The Application Review Process Does Not Always Identify Problems that Could Disqualify Applications

During the eligibility, scoring, and threshold processes, the Multifamily Finance Production Division (Division) determines which developments are recommended to receive tax credits based on the selection and threshold criteria outlined in the Qualified Allocation Plan and Rules (QAP). The recommendations are presented to the Department's Governing Board (Board), who are responsible for awarding the tax credits.

Forty-four tax credit applications were selected for testing in order to determine if:

- all of the required documentation was present in the file,
- reviews were completed as required,
- the application was scored correctly,
- the deficiencies noted by the reviewers were resolved, and
- any deficiencies were overlooked during the review process.

When testing identified errors in the first seven files tested, additional file testing was discontinued. Errors identified in five of the application files should have resulted in deficiencies requiring correction by the applicant and could have resulted in termination of the application if the deficiencies were not resolved.

In addition, there were two individuals who were indicted during the application process, yet their developments were recommended for tax credit awards because the indictments occurred after the application was submitted. All related parties to the applicant are required to certify at the time of their application that they are not currently under indictment, debarred or suspended. However, there is no requirement that the applicant or related parties notify the department of any legal action that occurs from the time the certification has been signed to the time the awards are approved.

The 9% Competitive Housing Tax Credit Program

The Housing Tax Credit program was created in 1986 to provide credits against federal income taxes for owners of qualified low-income rental housing developments. The Texas Department of Housing and Community Affairs (Department) is given the authority to make housing tax credit allocations for the State of Texas.

The purpose of the program is to:

- administer tax credits to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, affordable rental housing in the private marketplace;
- maximize the number of suitable, affordable residential rental units across the state;
- prevent losses to the state's supply of suitable, affordable residential rental units by enabling the rehabilitation of rental housing or by providing other preventive financial support; and
- provide for the participation of for-profit organizations while encouraging the participation of nonprofit organizations in the acquisition, development, and operation of suitable residential rental units.

(See Appendix B for additional background information.)

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During the application review period, staff conducts a process called “data scrubbing.” This process includes a review of the information in the Multifamily Finance Production database, to determine if the most current application information is included in the database. The database is corrected when errors are identified, or when updated information is provided by the applicant. We compared information in the application files to the information in the application data form and determined that the Department’s “data scrubbing” process is adequate to ensure that the information in the database is complete and accurate.

Chapter I-A:

Errors Were Identified in Applications that Should Have Resulted in Deficiency Notices

At least one error was identified in five of the seven applications tested that should have resulted in an administrative deficiency notice and may have resulted in the application being disqualified, depending on the response to the deficiency. This indicates a lack of adequate review of the application files. However, auditors did not identify any applications that should not have been awarded tax credits because the deficiencies we found could have been corrected.

The most serious deficiency overlooked by Division staff involved a certification made by an architect who is listed on the development’s organizational chart. The QAP §49.9(h)(6)(G) requires that the certifying architect or engineer must be a third-party. This should have been documented as a deficiency, and if not corrected within seven business days, the application should have been terminated.

Other examples of deficiencies overlooked include incomplete forms, financing amounts on the application not matching source documents, and other missing information such as no second contact, inaccurate square footage, and incomplete financing narratives. Some review sheets show both reviewers signing-off on a section as completed, but a deficiency was found; others show both reviewers listing the item as ‘not applicable’ when it was determined during the course of our audit that the section applied to the application, however, we did not note any deficiencies for these items.

Recommendation

Two independent reviews should be completed on each application. To help facilitate this process, reviewers should have separate checklists, so the second reviewer is not influenced by the first reviewer’s assessment. After two independent reviews have taken place, discrepancies between their reviews should be resolved.

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Management's Response

Staff will implement the audit recommendation and conduct independent reviews.

Target date for completion – March 31, 2008

Chapter 1-B:

Individuals Under Indictment Were Recommended for Tax Credit Awards

As required by program rules, individuals involved with an application must certify that they are not subject to any pending criminal charges. However, two individuals were indicted after submitting an application and the required certification, but the development they were involved with was still recommended to receive an award.

The Department does not require the applicant to disclose any indictments the related parties of the application may be under from the time of their certification to the time awards are made by the Board.

In one instance, the charges brought against the individual were dropped, and the development was awarded a forward commitment from the 2008 credit ceiling. In the second case, the person under indictment was removed from the development and the development was awarded a forward commitment from the 2008 credit ceiling; however, the name of the individual under indictment still appeared on the forward commitment letter. This individual did not sign the forward commitment.

Recommendation

The Department should revise its certification requirement to include a requirement that the applicant should notify the Department if the applicant, development owner, developer, guarantor, or any of their related parties is subject to any criminal proceedings during the course of the tax credit cycle. The notification may not disqualify the development for an award; however, the information should be presented to the Board for their consideration prior to the issuing of awards. The Department should retain documentation of this information in the application file.

Management's Response

Staff will implement the audit recommendation and include this requirement in the Uniform Application and the application review forms, and/or the QAP for the 2009 Tax Cycle.

Target date for completion – January 31, 2009

Chapter 2

Tax Credit Files Lack the Organization and Referencing Needed to Ensure Deficiencies Are Consistently Noted and Addressed

As application files are reviewed, deficiencies in the information are noted, and administrative deficiency notices are sent to the first and second contact listed on the application informing them additional or revised information is needed. When the response to the notice is received, the notice and the response are kept together in the file, but this information is not referenced or linked to the original information it is intended to supplement or replace.

The reviewer decides if the response is sufficient to address each of the deficiencies noted, or if additional information is needed. In some instances, it may take several requests for the applicant's staff to return enough information to address all of the deficiencies noted by the reviewer. This makes it very difficult to determine what information is the most current and to easily locate it in the file. In addition, it increases the risk that information is lost during the process or that the deficiency responses are insufficient.

Chapter 2-A:

A Lack of File Organization Results in Inconsistent Applicant Information

Department staff is not organizing or referencing documents in the application files which makes it difficult to find the most recent documentation, or to determine if documents have been removed.

The applicant's responses to deficiencies are not linked or referenced to the original documents within the application file. This results in incomplete documents being accepted simply because they address the deficiency, while other required information on the original document may be omitted from the revised version. All updated documents are required to stand on their own. This issue is further complicated when subsequent deficiencies are found on the new document and yet another document must be submitted to provide the required information.

Department staff removes documents from the application files without noting when they removed the documents or where they are now located. For example, support and opposition letters are removed from the application file as they are received, and filed together awaiting a separate review. The lack of staff documentation regarding when and where the documents have been removed results in the appearance that documents are missing or were never provided.

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There were also instances noted where Real Estate Analysis staff removed copies of the financial statements from the application files, but failed to note they had removed them. This resulted in the appearance that the documents were never provided by the applicant. In addition, one current forward commitment file could not be located.

Recommendation

The Department should:

- highlight and flag information used as support for items within the various checklists. Cross-referencing checklist items to where the information is located in the application file may help in this process,
- develop a system by which deficiency responses can be easily linked or referenced to the original document,
- develop a chronology sheet to document changes to the file, requests made of the applicant, or other information not readily apparent in the file,
- include time and date stamps on all documents received, and
- consider the use of software, like the TeamMate Audit Management System, that can be used to automate and link documents for ease of review.

Management's Response

Staff will implement the audit recommendations and create a system to track deficiencies and changes to the application.

Target date for completion – March 31, 2008

Chapter 2-B:

Deficiency Responses Do Not Always Contain All of the Required Information

When a response to an administrative deficiency notice is received, the reviewer who issued the notice reviews the documents and determines if the response is adequate. If the reviewer determines the response is adequate they write an "R" on the checklist to indicate the deficiency was resolved.

In three instances, the checklist indicated the deficiency was resolved, but the updated information or documentation could not be found in the file. In four other instances, the response was insufficient to address the original deficiency, yet the review sheet was marked as "resolved".

Recommendation

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The Department should ensure the information submitted to resolve deficiencies is complete and correct, and is linked to the part of the application file where the deficiency was noted, so subsequent reviewers can easily locate the new information.

Management's Response

Staff will implement the audit recommendation and create a system to document deficiencies and changes.

Target date for completion – March 31, 2008

Chapter 3

Not All Information Required by Statute is Reviewed or Posted to the Department's Web Site

In order to evaluate the application files, the Department relies on review sheets to ensure that all of the QAP requirements are considered during the application review process. The selection, threshold, Quantifiable Community Participation (QCP) letter, and non-QCP letter review sheets were compared to the QAP in order to determine if all of the QAP requirements are captured on the review sheets and considered during the review process. There were twenty-six QAP requirements that were found to be missing from the review sheets.

The Government Code requires the Department to post an application log on the Department's web site and specifies the information that should be included. However, there is not an "application log" posted by the Department as defined by statute. Although most of the required information is posted in various reports, some information is missing.

Chapter 3-A:

Review Sheets Do Not Capture All QAP Requirements

There were twenty-six QAP requirements not included in the selection, threshold, and QCP review sheets used during the application review process. Information missing from the review sheets could result in an application that does not meet all the requirements of the QAP being recommended for an award.

Examples of QAP requirements missing from the review sheets include:

- The QAP requires that, "The commitment of funds (an application alone will not suffice) must already have been received from the third-party funding source", but this is not reviewed on the selection review sheet to determine if the funds have already been received.

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- The QAP requires the applicant to provide a unit floor plan for each type of unit showing special accessibility and energy features; however, the review sheet only requires the reviewer to ensure unit floor plans are submitted for each unit type and that the net rentable area matches Vol. 1 Tab 2.
- The QAP states that all community amenities must exist, or if under construction must be at least 50% complete, by the date the application is submitted, but there is no indication on the review sheet that this is considered.
- The QAP requires entities that have not been formed and entities that have been formed recently but have no assets, liabilities, or net worth to submit a statement with their application to this effect, but this requirement is not listed on the review sheet.

Recommendation

The Department should ensure that the application review sheets include all of the QAP requirements.

Management's Response

Staff will implement the audit recommendation and ensure all requirements of the QAP are included in the application materials as well as the review materials.

Target date for completion – March 31, 2008

Chapter 3-B:

Application Log Does Not Meet All Statutory Requirements

While the Department posts most of the required application and award information on its website within various reports, there is no application log, as defined in statute, posted to the website. In addition, some of the information required by statute is not posted to the Department's website.

Items required as part of the application log that are not posted to the website include: names of the related parties to the applicant, the score of the application in each scoring category adopted by the Department under the QAP, any decision made by the Department or Board regarding the application, the names of persons making these decisions, including the person scoring and underwriting the application, and a dated record and summary of any contact between the Department staff, the Board, and the applicant or related parties.

In addition, scoring sheets providing details of the application score are not posted as required by the Texas Government Code §2306.6717 (2). A log of all application scores

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is posted (application scoring log); however, this log only contains summary information, and does not contain details as required by statute.

Texas Government Code §2306.6717 (a) (2) states, “Subject to §2306.67041, the department shall make the following items available on the department’s website: before the 30th day preceding the date of the relevant board allocation decision, except as provided by Subdivision (3), the entire application, including all supporting documents and exhibits, the application log, a scoring sheet providing details of the application score, and any other document relating to the processing of the application.”

Subdivision (3) states, “not later than the third working day after the date of the relevant determination, the results of each stage of the application process, including the results of the application scoring and underwriting phases and the allocation phase.”

In addition, the Texas Government Code §2306.6709 states, “APPLICATION LOG. (a) In a form prescribed by the department, the department shall maintain for each application an application log that tracks the application from the date of its submission.

(b) The application log must contain at least the following information:

- (1) the names of the applicant and related parties;
- (2) the physical location of the development, including the relevant region of the state;
- (3) the amount of housing tax credits requested for allocation by the department to the applicant;
- (4) any set-aside category under which the application is filed;
- (5) the score of the application in each scoring category adopted by the department under the qualified allocation plan;
- (6) any decision made by the department or board regarding the application, including the department's decision regarding whether to underwrite the application and the board's decision regarding whether to allocate housing tax credits to the development;
- (7) the names of persons making the decisions described by Subdivision (6), including the names of department staff scoring and underwriting the application, to be recorded next to the description of the applicable decision;
- (8) the amount of housing tax credits allocated to the development; and
- (9) a dated record and summary of any contact between the department staff, the board, and the applicant or any related parties.”

Recommendation

The Department should post the application log information, or a map or spreadsheet that references the location of the information required by the Texas Government Code. If some of the information is not available by the statutory deadline, the Department should post the information available on the deadline, and amend the application log as needed when additional required information comes available.

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In addition, the Department should post the scoring sheets as required.

Management's Response

Staff will implement the audit recommendations.

Target date for completion – Fully implemented by July 31, 2008

**Chapter 4
Commitment Review Sheets Need Improvement**

After the Department has completed processing the applications, recommendations are made to the Board regarding which developments should receive a tax credit award. It is important that the Board receive accurate information regarding the applications in order to make decisions as to which developments receive an award.

Multifamily Finance Production Division staff ensures the information presented to the Board is accurate by comparing the information on the Board summary report and application to the underwriting report. If differences are discovered, the Board summary report is updated to include the correct information prior to being submitted to the Board. If an issue is discovered that changes the score on the final scoring notice, staff will transmit to the applicant a new notice and an explanation of why the change was made. We found that the information provided to the Board is generally complete and accurate. Minor issues found during our testing of this process were communicated directly to the Multifamily Finance Production Division.

In addition, applicants receiving an award of tax credits from the Board must meet certain requirements in order to obtain the tax credits. In order to ensure these requirements are met, the Department uses commitment review sheets to monitor the process; however, the review sheets were found to be missing some of the QAP requirements.

Chapter 4-A:

Requirements Listed In the QAP are Not Included in the Commitment Review Sheet

In comparing the commitment review sheet to §49.13 of the QAP, several items were missing from the review sheet. This could result in reviewers not verifying the submission of required items. The most important missing QAP requirement is that if a certificate of account status is not available because the entity is newly formed, a statement to that effect and a certification of organization from the Secretary of State's Office is required. This requirement is not included on the commitment notice checklist.

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In most instances, the certificate of organization and a statement that the applicant is newly formed is not included in the commitment file.

In addition, several other requirements are not included on the review sheet.

- The QAP requires copies of the entity's governing documents, including, but not limited to, articles of incorporation, articles of organization, certificate of limited partnership, bylaws, regulations and/or partnership agreements submitted when the commitment notice is executed; however the only documents included on the checklist are the partnership agreement or the certificate of limited partnership.
- The QAP requires "evidence that the entity has the authority to do business in Texas," but this requirement is not on the checklist.
- The checklist includes a statement 'evidence of zoning', but only one of the options for zoning requires evidence to be submitted with the commitment notice. This is not clear on the checklist.

Recommendation

The Department should ensure all documentation required by the QAP is included in the commitment notice checklist, and that reviewers are verifying that all of the required documentation is received.

Management's Response

Staff will implement the audit recommendations.

Target date for completion – September 30, 2008

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Appendix A:

OBJECTIVES, SCOPE, METHODOLOGY AND OTHER

Objectives

The audit objectives were to determine if:

- The Multifamily Finance Production Division is complying with laws and rules throughout the application review, award recommendation, and commitment notice processes for the 9% Competitive Low Income Housing Tax Credit Program.
- Tax credit applications are scored correctly and whether the scoring log accurately reflects the scoring process.
- The public is properly notified of application submissions, scoring and awards.
- The tax credit application and award data in the Multifamily Finance Production database is accurate when recommending award of tax credits.

Scope

The scope of this audit included the selection and award processes of the 9% Competitive Housing Tax Credit Program for the 2007 cycle.

Methodology

The methodology consisted of gaining an understanding of the application and award processes of the 9% Competitive Housing Tax Credit Program, and testing the Department's processes to ensure compliance with Federal and State rules and regulations. An understanding of the process was gained through staff questionnaires, interviews with staff, reviewing laws, regulations and polices and procedures, and reviewing the various checklists used by the Department.

We also reviewed the following documents:

- 26 U.S.C. 42
- *Texas Government Code 2306 Subchapter DD Low Income Housing Tax Credit Program*
- *2007 Application Submission Procedure Manual* (Procedure Manual)
- *2007 Competitive 9% HTC Application Supplement* (Supplement)
- 2007 Competitive 9% HTC Application Attachments
- 2007 Financials
- 2007 Templates and Financials
- 2007 Application Data Form

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- 2007 Housing Tax Credit Program Qualified Allocation Plan and Rules with Amendments (QAP)
- Multifamily Eligibility Review Checklist
- Multifamily Selection Review Checklist
- Multifamily Threshold Review Checklist
- Non-QCP Letter Checklist
- QCP Letter Checklist
- Elected Officials Letter Checklist
- Commitment Notice Checklist
- Internal Timeline - 2007 Multifamily Application Cycle
- 2005 Application Intake Risk Assessment
- Application Intake Flow Chart
- Award Flow Chart
- Multifamily Organizational Chart
- Application Submission Log
- Application Score Log
- Award Log
- Board Summary
- PMC Evaluation
- REA Evaluation
- Commitment Notice
- Termination Letter
- Deficiency Notices
- Approved List of Market Analysis
- Applications
- Prior Internal and External Audit Issues

Related Audits Reports

This is the second report released by the Department's Internal Audit Division regarding the 9% Competitive Housing Tax Credit Program. The audit was planned as three phases with a separate report for each phase.

The previous phase and objectives of our review of the 9% Competitive Housing Tax Credit Program included the following:

- **Phase I-Pre-application and Notification Processes**
 - To assess the control framework of the Multifamily Family Production Division to provide reasonable assurance that risks associated with the administration of the pre-application and notification processes are being mitigated, and

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- To ensure the pre-application and notification processes are administered in a manner that complies with all Federal and State laws, regulations, and rules.

The third phase of this audit was scheduled to include the following:

- **Phase III-Appeals and Challenges Processes**
 - To assess the control framework to provide reasonable assurance that risks associated with the administration of the appeals and challenges processes are being mitigated, and
 - To ensure the appeals and challenges processes are administered in a manner that complies with all Federal and State laws, regulations, and rules.

However, after gaining an understanding of the program during the first two audits, it was determined that the appeal and challenge processes are not high risk. Consequently, phase III was cancelled.

Type of Audit

This audit was a performance audit concentrating on the Department's controls over the application and award processes, as well as a review of policies and procedures designed to provide reasonable assurance of compliance with significant laws, regulations, and program rules.

Follow-up on Prior Audit Issues

We reviewed the status of prior audit issues related to the objectives of this audit. Internal Audit issue #196 from the State Auditor's Office report, *An Audit Report on the TDHCA, Rpt. #01-009*, recommended that the Department develop a plan to ensure that application fees are appropriately allocated as required by the Government Code. We determined that the Multifamily Finance Production Division has taken corrective action on this issue.

Report Distribution

Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Project Information

Audit fieldwork was conducted from October 2007 through November 2007. The audit was performed in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing.

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9% Competitive Housing Tax Credit Program***

The following staff performed this audit:

Greg Magness, CIA, CGAP, Audit Project Manager
Sandra Hoffman, CGAP, Audit Project Manager
Colleen Bauer, Internal Audit Team Member

Appreciation to Management and Staff

We wish to express our appreciation to management and staff for their courtesy and cooperation during the course of the audit.

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Appendix B:

BACKGROUND

The 9% Competitive Housing Tax Credit program was created by the Tax Reform Act of 1986 and is governed by the Internal Revenue Code of 1986, 26 U.S.C. 42, to provide for credits against federal income taxes for owners of qualified low-income rental housing developments. The Texas Department of Housing and Community Affairs (Department) is given the authorization to make Housing Tax Credit Allocations for the State of Texas through the Texas Government Code, Chapter 2306, Subchapter DD.

The Department developed, and annually updates, the Housing Tax Credit Qualified Allocation Plan and Rules (QAP) to provide information regarding the administration and eligibility for the program.

The purpose of the program is to:

- administer tax credits to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, affordable rental housing in the private marketplace;
- maximize the number of suitable, affordable residential rental units across the state;
- prevent losses to the state's supply of suitable, affordable residential rental units by enabling the rehabilitation of rental housing or by providing other preventive financial support; and
- provide for the participation of for-profit organizations while encouraging the participation of nonprofit organizations in the acquisition, development, and operation of suitable residential rental units.

The Department divides the Housing Tax Credit Program into two sections, the 9% Competitive Housing Tax Credit Program and the 4% Bond Housing Tax Credit Program. For the 2007 cycle period, the estimated available tax credits for the 9% Competitive Tax Credit Program are approximately \$43 million. The housing credit allocations made to tax exempt bond developments are not included in the State housing credit ceiling. The credit amount a development may be eligible for depends on: (1) the amount and type of additional funding sources, (2) the total amount of qualified development costs to be incurred, (3) the percentage of rent restricted units set aside in the development for eligible tenants, and (4) location in communities designated as difficult development areas and qualified census tracts. The Department limits the allocation of tax credits to no more than \$1.2 million per development.

To qualify for tax credits, the proposed development must involve new construction or undergo substantial rehabilitation of residential units (at least \$12,000 per unit in direct hard cost). Pursuant to 26 U.S.C. 42, a low income housing project qualifies for residential rental occupancy if it meets one of the following two criteria: (1) 20 percent or

***An Internal Audit Report on the
9% Competitive Housing Tax Credit Program***

more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median family income (AMFI), or (2) 40 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60 percent or less of AMFI.

Tax credits are allocated in accordance with Texas Government Code §2306.111, which requires credits to be allocated on a regional basis. There are thirteen state service regions; each of the thirteen state service regions receive an allocation of credits based on a regional distribution formula generated, with public input, by the Department's Housing Resource Center.

Upon finalization of the formula, the targeted allocations will be released. Additionally, the 9% Competitive Housing Tax Credit program has several allocations and/or set-asides it strives to meet: (1) at least 10 percent of all credits must be awarded to qualified nonprofits, (2) at least 15 percent of each region's credit allocation is targeted to at-risk developments, and (3) at least five percent of each region's credit allocation targets developments funded by the U.S. Department of Agriculture.

The goal of the Department and its Governing Board is to encourage diversity through broad geographic allocation of tax credits within the state in accordance with the regional allocation formula, to promote maximum utilization of the available tax credit amount, and to allocate credits among as many different entities as practical without diminishing the quality of the housing being built.

The criteria utilized to realize this goal includes a point-based scoring system, and an evaluation of other non-point based factors, that may include, but are not limited to, each application's:

- cost and financial feasibility;
- geographic location within the state as compared to other developments applying for tax credits;
- impact on the concentration of existing tax credit developments and other affordable housing developments within specific markets and sub-markets;
- site conditions;
- development team experience; and
- consistency with the goal of awarding credits to as many different applicants as possible.

Internal Audit Division
BOARD ACTION REQUEST
December 20, 2007

Action Items

Presentation and discussion of the status of prior audit issues.

Required Action

None, information item only.

Background

In our review of the prior audit issues data base, we identified 282 prior audit issues that had not been cleared by internal audit or closed. We developed lists of prior audit issues by division and requested that each division provide the supporting documentation to clear their issues.

Of the 282 outstanding issues:

- 36 issues have been cleared by internal audit and closed (see attached report)
- 186 issues were reported as “implemented.” We will be clearing and closing these issues as time allows.
- 9 issues were reported as “pending” or “action delayed”. We will be clearing and closing these issues when they are reported as “implemented”.
- We extended the due date for 51 issues in divisions that needed additional time to respond due to their workloads.

Recommendation

No action is required.

Cleared by Internal Audit

<i>DivisionName</i>	<i>Status</i>	<i>Target</i>
	<i>Codes*</i>	<i>Date</i>

Administration - Staff Services

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>		
	<i>Auditors</i>	<i>Report Date</i>		
82	28	Audit of Property Management Function	lx	08/10/98
	IA	08/10/98	lx	11/06/07
			lxx	11/19/07

Issue Perform monthly reconciliations between the property system and the accounting system. Differences between the systems should be investigated and corrections should be made to the systems, when warranted. Balances of the accounting records and property records should be in agreement at the completion of a reconciliation. Also, the Department should ensure that the property system is properly reconciled to the accounting system prior to loading the property system data into the asset management module that is planned for installation in Fiscal Year 1999.

Status 11/19/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

11/12/07 – Staff Servicing has created polices and procedures for reconciling the property system and the accounting system as noted in the staff services property Accounting and Control manual.

CDBG

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>
	<i>Auditors</i>	<i>Report Date</i>

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
428	145	CDBG Disaster Hurricane Recovery Program – Project/Program Plan	Px	03/05/07	03/16/07
	IA	03/05/07	Ix	04/23/07	
			Ixx	11/12/07	

Issue Section 1
Establish a Project Charter

The goals and objectives related to the effective delivery of the Program have not been clearly identified or delineated in sufficient detail to plan the delivery of the Program adequately. Goals and objectives identify the desired predetermined results to be achieved. The scope of the Program Plan has not been adequately defined. The scope is fully described by identifying significant activities to be performed, the resources to be consumed and the final products that result, including quality standards. The roles and responsibilities as well as the authorities of the Program Coordinator and other team members have not been fully developed. Critical success factors of the Program Plan have not been identified or described.

We recommend the Program Team develop a project charter. We recommend the charter include the following elements:

- The goals and objectives related to the effective delivery of the Program be identified and delineated in sufficient detail to facilitate identifying necessary activities and tasks for developing the Program Plan.
- The scope of the Program Plan which defines (1) the product and service deliverables, (2) significant activities to be performed, (3) the resources to be consumed, and (4) the final products that result, including quality standards.
- The roles, responsibilities and authorities of the Program Coordinator, team members, Oversight Team members and others that may be involved with executing and overseeing the Program Plan.
- Critical success factors listed in the order of importance.

We also recommend that senior management establish a review and approval process of the project charter and that the charter serve as a basis for fully developing the Program Plan.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

05/10/07 - Reported to Board as Implemented per Management.

04/23/07 - The Project Charter was developed and provided to the Deputy Executive Director of Disaster Recovery for approval on 3/8/2007. The Program Coordinator forwarded the approved Charter to the Executive Director as a final document on 3/9/2007.

03/05/07 - A Charter is in development and a draft will be completed by March 8th that incorporates input from senior management and the Program Team. The draft Charter will be presented to CDBG knowledgeable staff on March 8th during a CDBG Disaster Recovery Program Planning meeting. Additional input that may be received as a result of this meeting will be incorporated and presented to the Oversight Team for final approval on 3/16/07.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
429	145	CDBG Disaster Hurricane Recovery Program – Project/Program Plan	Px	03/05/07	03/16/07
	IA	03/05/07	Ix	04/23/07	
			Ixx	11/12/07	

Issue Section 2
Fully Develop the Program Plan

The Program Plan has not been fully developed. The Plan does not necessarily include:

- Consideration of all goals and objectives relating to delivery of the Program.
- Detailed tasks or steps to be performed for all significant milestones to be met to achieve the program-delivery goals and objectives.
- Time estimates to accomplish a task or milestone.
- Tasks and milestones dependent upon completion of a preceding task or milestone are not clearly identified.

The Program Coordinator conducted a planning brainstorm meeting in early February 2007 with knowledgeable staff. The objectives of the meeting were to identify and confirm the goals and objectives relating to delivery of the Program, and to identify risks, necessary activities, milestones, and tasks to achieve the goals and objectives while mitigating unacceptable risks.

We recommend the Program Coordinator continue working with knowledgeable staff and the Oversight Team to develop the Program Plan in full. In developing the plan, we recommend the Program Team incorporate consideration of the goals and objectives relating to delivery of the Program, the scope of the Program, and the risks associated with achieving the goals and objectives.

For each goal and objective and the related activities, we recommend, minimally, that the plan identify significant milestones, tasks necessary to achieve the milestones, specific staff assigned to complete tasks and the target dates or estimated completion dates for each task. We also recommend milestones and tasks dependent upon the completion of a preceding milestone or task be clearly noted.

We recommend that the plan be regularly updated to reflect the status of tasks to be performed and that the plan be adjusted, if necessary, due to changing goals and objectives, requirements, resources, timelines, circumstances or risks.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

05/10/07 - Reported to Board as Implemented per Management.

04/23/07 - An expanded version of the Project Plan was developed and completed that incorporated input from senior management and program team members. The CDBG DR Program planning meeting was cancelled, however Disaster Recovery Division staff members met, incorporated necessary changes, and forwarded the Plan to the Executive Director as a final document on 3/9/2007.

03/05/07 - An expanded version of the Program Plan is in development and a draft outline of the Plan will be completed by March 8th that incorporates input from senior management and the Program Team. The draft Plan will be presented to CDBG knowledgeable staff on March 8th during a CDBG Disaster Recovery Program Planning meeting. Additional input that may be received as a result of this meeting will be incorporated and presented to the Oversight Team for final approval on 3/16/07.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
430	145	CDBG Disaster Hurricane Recovery Program – Project/Program Plan	Px	03/05/07	03/16/07
	IA	03/05/07	Px	04/23/07	05/01/07
<i>Issue</i>	Section 3 Maintain, Report and Monitor the Status of the Plan		lx	06/25/07	
			lx	09/13/07	
			lxx	11/12/07	

The Program plan is not being updated to reflect the status of completion on a regular and current basis. While the plan does have a data field to report status, instances were noted where the status field is not being updated on a regular basis. We also noted instances where target dates for completion have lapsed and revised target dates have not been established. Comments or explanations for the lapsed target dates are not provided.

We recommend staff assigned to tasks update the status of the tasks and plan, in coordination with the Program Coordinator, on a regular basis. We recommend the progress on completion of a task be reported in terms of the percentage completed and Program Team members immediately inform the Program Coordinator in instances where target dates for completion are not going to be met and provide explanations for the delays. Revised target dates should be established when necessary.

The Program Coordinator and Program Team should monitor the status of the plan and evaluate progress against the plan on an ongoing basis to ensure the related goals are being achieved in a timely manner and so corrective actions can be taken when necessary.

We also recommend regular status meetings be scheduled with the Program Team to discuss the status of the Program and, in instances where planned tasks are not being achieved, take corrective actions. The meetings should be used to discuss issues or risks being identified that are interfering or might interfere with achieving the Program Plan's goals, and strategies to address or mitigate the issues and risks identified.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

09/13/07 - Reported to Board as Implemented per Management.

06/25/07 - Disaster Recovery Division members have access to the Software used to document the Program Plan and the Plan is being updated regularly.

04/23/07 - The Program Coordinator regularly monitors and updates the Project Plan. The Project Plan was updated during April to reflect the expansion of the Disaster Recovery Division to include two new staff members. Staff members have been meeting regularly to discuss the status of the program and have included discussions on issues and risks identified in relation to achieving the program's goals and strategies and tasks to be achieved. Staff members in the division are in the process of obtaining licenses needed to utilize the software program used to document the Project Plan. Once the licenses are obtained, it will be the responsibility of each staff member to regularly update the Project Plan.

Regular meetings have not been set with the Department's Program Team. A recurring meeting date with team members will be established by 5/1/2007.

03/05/07 - After Oversight Team approval of the Project Charter and approval of the Project Plan, a regular recurring Program Team meeting will be set and the Project Plan will be regularly updated and monitored.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
431	145	CDBG Disaster Hurricane Recovery Program – Project/Program Plan	Px	03/05/07	03/16/07
	IA	03/05/07	Ix	04/23/07	
			Ixx	11/12/07	

Issue Section 4
Enhance the Ability of the Oversight Team to
Provide Governance over the Program

The Oversight Team has not received a fully developed plan for the Program or regular status reports to assess progress on achieving the program-delivery goals and objectives. Additionally, the responsibilities of the Oversight Team members relating to the Program's demands, as well as other job responsibilities and demands not related to the Program, may warrant additional Oversight Team members to share the workload.

The plan and progress in achieving the plan, should be periodically reviewed by the Oversight Team or assigned responsible designees independent of the plan. The purpose of the review is to ensure appropriate controls have been established and are being maintained to ensure the program-delivery goals and objectives are being achieved and issues or risks are being identified and addressed to promote the attainment of the goals.

We recommend the Executive Director consider expanding the Oversight Team to include other senior or knowledgeable staff to provide support to the Program Team. The purpose of the Oversight Team should include the following:

- Reviewing and confirming the goals and objectives of the Program Plan or adjusting them as appropriate.
- Reviewing the Program Plan and assessing whether the Plan is reasonable to achieve the program-delivery goals.
- Assessing whether adequate strategies have been developed to identify and mitigate significant risks and control issues that may be obstructing progress in completing the Plan and achieving the related goals.
- Assisting the Program Team in establishing priorities should they encounter conflicting demands on them or their resources.
- Monitoring progress in completing the Plan and ensuring the plan is adjusted when necessary in those instances where actual performance varies from the plan.

In instances where additional resources are identified as necessary to achieve the goals of the Program Plan, we recommend the Oversight Team work with the Program Coordinator to identify and obtain those resources.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

05/10/07 - Reported to Board as Implemented per Management.

04/23/07 - The Oversight Team was disbanded with the appointment of a Deputy Executive Director for Disaster Recovery. The DED provides program updates to the Executive Team on a regular basis. The DED and Program Coordinator have identified and utilized additional resources as necessary to achieve the goals of the Program Plan and the DED recently hired two additional staff members for the Disaster Recovery Division.

03/05/07 - The Oversight Team has been expanded to include the Deputy Executive Director of Programs and the Director of Portfolio Management and Compliance. The Project Charter will formally identify Oversight Team members and define their responsibilities. The Oversight Team meets weekly.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
437	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	05/01/07
	IA	05/01/07	Px	06/25/07	08/01/07
			Px	08/28/07	10/01/07
Issue	Section 2-A		Px	09/10/07	10/01/07
	Clarify Timing of Required Set-up Procedures		lx	11/14/07	
			lxx	12/06/07	
	<p>The Department published a checklist that mistakenly informed the COGs the set-up form and related documentation are due with the first draw request for funds. The primary purpose of the set-up process is to ensure projects are properly identified and initial program requirements are satisfied prior to the inception of recovery work or the release of funds for each project for which a COG wants to commit and expend funds.</p> <p>We recommend the Department clarify to the COGs the timing required for the set-up forms and supporting documentation to be submitted to the Department to ensure Project Set-up occurs prior to work beginning and funds being expended.</p>				
Status	12/06/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - The Implementation Manual has been updated, posted, and the COGs have been notified. The Manual now clarifies the timing of required set-up procedures				
	09/10/07 - The Implementation Manual has been updated and is under review by the DR team. Once the review process is complete, the Manual will be posted to the web and the COGs will be notified that the revisions have been posted				
	08/28/07 - The Department provided technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and clarified the timing of the project set-up process and the required support documentation. The Implementation Manual will be updated to reflect this process.				
	06/25/07 - The Department provided technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and clarified the timing of the project set-up process and the required support documentation. The Implementation Manual will be updated to reflect this process.				
	05/01/07 - The Department will provide technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and will clarify the timing of the project set-up process and the required support documentation during the visit.				

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
438	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	05/01/07
	IA	05/01/07	lx	06/25/07	
			lx	09/13/07	
			lxx	11/12/07	

Issue Section 2-B
Enhance the Project Set-up Checklist

The following requirements are not addressed in the current checklist:

- Assurance the COG has received proper documentation that the applicant owned the home as of September 24, 2005, the date Hurricane Rita made landfall
- Assurance the COG had received proper documentation the home was damaged by Hurricane Rita
- Assurance the applicant has not received prior assistance for the repair of hurricane damage to their home, and if they have, the amount of assistance received
- Assurance a three year deferred loan is in place for four days prior to work beginning on the home
- Assurance that the calculation of assistance to be provided, or the Project Set-up amount and budget, have been properly calculated

In addition, several forms are not submitted with the Project Set-up Checklist to support budgeted cost of the project. These items include:

- The completed, signed, and dated Initial Inspection
- The final Work Write-Up/Cost Estimate
- A copy of the Construction Contract signed by builder and homeowner
- "Before" photos of the interior and exterior of the home

We recommend the Project Set-up Checklist be enhanced to provide assurance initial program requirements have been satisfied prior to work being initiated. We also recommend the COGs submit the forms mentioned above with the checklist to support the budgeted amount for the project, and the checklist include assurances the additional documentation listed above is received.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

09/13/07 - Reported to Board as Implemented per Management.

06/25/07 - The Department updated the checklist to provide the assurances cited in the Internal Audit report, provided the updated checklist to the COGs, and trained the COGs on its use and supporting documentation requirements on May 1, 2007.

05/01/07 - The Department has updated the checklist to include assurances that all initial program requirements have been satisfied prior to work being initiated. The checklist was also updated to require the forms and support documentation identified in the recommendation. Department staff will provide the COGs with detailed instruction and examples of the documentation required for submitting a set-up during the on-site technical assistance visit on May 1, 2007.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
440	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	05/31/07
	IA	05/01/07	lx	06/25/07	
			lx	09/13/07	
			lxx	11/12/07	

Issue Section 2-D
Ensure Lead-Based Paint Inspections and Abatement Costs are Included in the Project Budget

It was noted the Work Write-up form (Form 11.17) does not provide budget categories for the test or abatement of lead-based paint. Furthermore, controls have not been established to ensure compliance with Federal regulations that assistance not be provided for homes built after 1978 should it be known they contain lead-based paint.

We recommend the Work Write-up form be amended to include budget categories for the test and abatement of lead-based paint, and controls be established to ensure Federal assistance for lead-based paint removal is not provided on homes built after 1978 if it is known they contain lead-based paint.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

09/13/07 - Reported to Board as Implemented per Management.

06/25/07 - The Department modified the form to specifically address lead-based paint considerations and addressed this issue with the COGs and COG subrecipients May 1, 2007.

05/01/07 - Department staff will modify the form to specifically address lead-based paint considerations including budget categories for lead-based paint associated costs and will include a statement on the form addressing whether it is known that the project contains lead-based paint. Staff will address this issue with the COGs during the May 1, 2007 technical assistance visit and will follow up with notification of revisions made to the form.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
442	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	lx	05/01/07	
	IA	05/01/07	lx	09/13/07	
			lxx	11/12/07	

Issue Section 3-B
Control Contract Tracking System Access

Access to the CDBG Contract Tracking System is not adequately controlled.

The PMC Manager responsible for project set-up, draw processing, and program monitoring functions, and an employee from ORCA serving as a Program Specialist have "administrator-role" access to the Department's CDBG Contract Tracking System. The CDBG Program Coordinator reports the access was granted and necessary for the Program Specialist to establish budget amounts on the ORCA systems used to process draws, on behalf of the Department, from the U.S. Treasury. The manager's job responsibilities and access rights, as well as the ORCA employee's access rights, to the contract tracking system allows them the opportunity to perpetuate and conceal errors or irregularities (fraud) without detection on a timely basis in the normal course of business.

We recommend management ensure access to the CDBG Contract Tracking System is restricted based upon job responsibilities to help enforce proper segregation of duties and reduce the risk of unauthorized system access.

We recommend the PMC manager's access is restricted to that necessary for her to perform her job duties and rely on staff to access the contract tracking system to fulfill their job responsibilities based on approved policies and procedures. In instances where the manager's access at the administrator-role is necessary, we recommend controls be established to provide an independent review of the manager's activity on the contract tracking system to ensure it is properly authorized and supported.

We recommend the ORCA Program Specialist's access rights be removed.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

09/13/07 - Reported to Board as Implemented per Management.

05/01/07 - The PMC Manager's administrator-role access was removed and replaced with inquiry role access. In addition, ORCA's Program Specialist's administrator-role rights were removed

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
444	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	lx	05/01/07	
	IA	05/01/07	lx	09/13/07	
			lxx	11/12/07	

Issue Section 3-D
Ensure Accuracy of Contract Budget

The Department entered into a contract with the South East Texas Regional Planning Commission to provide services under the Single Family Rental Rehabilitation and Reconstruction activities as well as other activities. However, the budgets for the Single Family Rental Rehabilitation and Reconstruction activities were summed and posted to the Department's CDBG Contract Tracking System as Rehabilitation-Housing. The error may result in erroneous budget information being reported to HUD and in draw requests for these activities being inappropriately denied since the budget amounts were not accurately established.

We recommend the Department correct the budget amounts posted to the contract tracking system for the Single Family Rental Rehabilitation and Reconstruction activities of South East Texas Regional Planning Commission.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

09/13/07 - Reported to Board as Implemented per Management.

05/01/07 - The two budget categories were erroneously aggregated and have been corrected in the contract tracking system.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
445	148	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	
	IA	05/01/07	Px	06/25/07	08/01/07
			Px	08/28/07	10/10/07
<i>Issue</i>	Section 4		Px	09/10/07	10/01/07
	Update Implementation Manual to Incorporate Guidance Provided		lx	11/14/07	
			lxx	12/06/07	
	<p>While there have been two significant updates to the Implementation Manual since inception of the program, the Manual has not been updated for recently issued additions or changes in the requirements. Persons needing the information may not be aware of it in the absence of a complete Implementation Manual or other centralized body of requirements, direction and implementation materials. The COGs' staff, Department staff responsible for technical assistance, contract management and/or program monitoring, and others such as audit/monitoring staff of oversight agencies may not be aware of the requirements, changes in requirements, or strategies to address the requirements beyond that provided by the Implementation Manual, especially in instances of employee turnover.</p> <p>Several areas where requirements, direction or implementation materials have been added or amended, but the Manual has not been updated to represent the changes include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Ensuring all income and additional assistance has been reported • Documenting homeownership and damage caused by Hurricane Rita • Establishing and closing deferred forgivable loans • Enhancing the Project Set-up and Draw processes requiring action by the COGs <p>We recommend the Implementation Manual be updated for these requirements and in a regular fashion in instances where there are additions or changes to the requirements, directions, or implementation materials previously provided to the COGs. Alternatively, we recommend the Department establish and implement a strategy of a central repository of all requirements, directions, and implementation materials available to all that need the materials to fulfill their job responsibilities and successfully delivery the program.</p>				
<i>Status</i>	12/06/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - The Implementation Manual has been updated, posted, and the COGs have been notified of the revisions that were made.				
	09/10/07 - The Implementation Manual has been updated to reflect this process and is under review by the DR team. Once the review process is complete, the Manual will be posted to the web and the COGs will be notified that the revisions have been posted. Staff developed manual revision SOPs specific to the CDBG Disaster Recovery program.				
	08/28/07 - The Department is in the process of updating the Manual and establishing a written process describing the frequency of the updates.				
	06/25/07 - The Department is in the process of updating the Manual and establishing a written process describing the frequency of the updates.				
	05/01/07 - Management will ensure that guidance provided will be updated regularly in the implementation manual.				

<i>DivisionName</i>	<i>Status</i>	<i>Target</i>
	<i>Codes*</i>	<i>Date</i>

Financial Administration - Accounting Operations

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>			
<i>Auditors</i>	<i>Report Date</i>				
219	77	Ltr. on Int. Cont'l. & Acct'g. Procedures - 8/31/00		Px	08/01/01 08/31/01
	KPMG /	12/06/00		Pxx	01/07/02 08/31/02
				lxx	11/12/07

Issue Repeat Finding -

Governmental Accounting Standards Board Statement No. 34

The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for governmental entities. The GASB has issued a new accounting standard that will require major changes in the presentation of the annual financial statements for many governmental entities and will require a significant amount of Department staff resources from within the Finance and Accounting department for implementation. The required implementation date for the Department is for the fiscal year ending August 31, 2002.

Begin planning for the implementation of GASB Statement No. 34 and be ready for full implementation by September 1, 2001 (the start of the fiscal year).

Status 11/12/07 - Per Deloitte and Touche December 20, 2002 report it was determined the Department are implementing GASB 34. Audit issue has been resolved

/24/02 - Similar issue reported in FY 2001 Report to Management by D&T.

01/07/02 - Management indicates that it is working with the Comptroller's Office and its external auditor's to ensure that GASB 34 is fully implemented, as required by professional standards, for the FY ending August 31, 2002.

08/01/01 - Target date from 8/31/00 status update to original finding.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
343	117	A Post Payment Audit of Certain Transactions 2/1/03-1/31/04	Px	07/20/04	08/01/04
	CPA	06/21/04	lx	12/07/07	
			lxx	12/10/07	

Issue Underpayment of Benefit Replacement Pay: two employees were identified that did not receive benefit replacement pay (BPR) even though they were eligible.

The Department must compensate the employees for the amount of BPR that should have been paid to them and recommend that the Department verify all prior state service information in USPS to ensure the accuracy of BRP payments and other entitlements based on length of service.

Status 12/10/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

12/07/07 - The two employees were compensated for their Benefit Replacement Pay(BPR). Payroll rreviews the state employment verification form to verify prior state service.

2/28/05 - Issue reported by management as implemented at February 2005 Board meeting.

07/24/04 - There were two instances of BRP underpayments totaling \$1930.50. One has been resolved the other is in the process of being resolved. According to the Comptroller's USPS guidelines, Jerry Schroeder a terminated employee is entitled to receive BRP payments, but the payroll system will not allow payments to an individual who has terminated more than 6 months. Payroll is working with the Comptroller's Office to resolve this underpayment. To ensure BRP's are valid, payroll will verify USPS codes for "return to work retiree's" that are eligible for BRP.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
418	143	Report to Management for the Year Ended August 31, 2006	Px	12/19/06	
	Deloitte	12/19/06	lx	03/14/07	
			lx	11/12/07	
			lxx	11/19/07	

Issue Controls Related to Other Assets

In 2006, the Department implemented an enhancement to its accounts receivable module in MITAS. We noted in testing certain accounts for administration fees that the "due from developer" accounts were overstated and the "due to developer" accounts were understated. It was noted that there was an oversight in the closeout procedures when changing from a manual process to an electronically-initiated process with the MITAS upgrade. Because of the shift in focus to the automated system, there was no closeout of the manual amounts that had been previously recognized and the other asset account and other liabilities account were misstated.

Prepare timely reconciliations and closeouts of the properties that record "due from developer" and "due to developers" amounts to ensure amounts are proper. TDHCA should also ensure that in the event of a change in an accounting process, whether automated or manual, accounting staff continue to perform reconciliations and proper closeouts on balances and accounts related to the old system.

Status 11/19/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

11/12/07 - Since the Department implemented an enhancement to its MITAS system, controls have been established to enable the Department to have an accurate accounting of its admin fees. A reconciliation process in the ledgers have also been established.

05/10/07 - Reported to Board as Implemented per Management.

3/14/07 - The account receivable system in MITAS is now fully automated, which ensures the subsidiary ledger and general ledger are in agreement.

12/19/06 - Since transferring the accounting of the administration fee receivable to the account receivable subsidiary ledger in MITAS, the controls established enable the Department to have a more accurate accounting and recognition of administration fees. A reconciliation process has been established to ensure the general ledger and the subsidiary ledger agrees.

Financial Administration - Financial Services

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>
	<i>Auditors</i>	<i>Report Date</i>

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Code</i>	<i>Date</i>	<i>Date</i>
150	60	Ltr. on Internal Control & Acct'g. Procedures - 8/31/99	Px	08/31/00	08/31/01
	KPMG /	12/10/99	lxx	11/15/07	

Issue Begin to plan for the implementation of the GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," which is effective for the fiscal year beginning September 1, 2001.

Status 11/15/07 - Per the Deloitte and Touche December 20, 2002 audit of the Financial Statements it was determined the Department are implementing GASB 34.

8/1/01 - Comment repeated. See issue Ref. No. 219.

08/31/00 - The Department is continuing to plan for GASB 34 in coordination with the Comptroller and with Financial Reporting Requirements.

12/10/99 - The Department is aware of these changes and will work with the State Comptroller and the State Auditor's Office, along with their "statewide taskforce" with other state agencies, to prepare for these changes. The Department will begin planning this fiscal year for the internal impact on accounting systems and policy. The Department is currently working with the statewide taskforce to complete a survey on fixed assets and the impact of possible changes as a result of GASB 34/35

263	93	Controls Over Single Family Loans; Report No. 1.05	lx	04/26/02	
	IA	01/07/02	lxx	11/15/07	

Issue The reconciliation process between the LSAM and the accounting records can be improved to ensure the completeness and accuracy of both systems by completing a full and complete reconciliation of all loan balances and differences between the two systems be investigated and adjustments made, when warranted, to correct the appropriate system(s).

Status 11/15/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

11/15/07 - LSAM Loan Servicing system has been replaced by the MITAS system. New controls have been established and implemented for the MITAS system.

6/24/02 - Reported to the Board as implemented, per management, at May Board meeting.

04/26/02 - Monthly reconciliations are being performed between the LSAM and accounting records. Differences between the two systems are being investigated and adjustments made, when warranted, to correct the appropriate system(s).

3/10/02 - Accounting staff has begun working with Loan Administration in reconciling both systems on a monthly basis. All differences will be investigated and adjustments made, when warranted, to correct the appropriate system(s).

Financial Administration - Loan Servicing

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>	<i>Auditors</i>	<i>Report Date</i>
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<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
267	93	Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	06/01/02
	IA	01/07/02	lx	07/22/02	
			lxx	11/12/07	

Issue Management should development, implement and enforce formal policies and procedures relating to access and storage of the Department's critical loan documentation.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

11/12/07 - Loan Servicing created a SOP manual outlining procedures to access and store documents in file room.

7/31/02 - Management reports that Loan Administration has update the File Retention SOPs reflecting the current processes for maintaining and accessing files in the file room.

8/20/02 - Issue being dropped from further reporting since it was reported as implemented at the 8/8/02 Audit Committee meeting.

04/22/02 - Loan Administration will formalize SOPs outlining access and storage of documents in the Collateral File Room.

03/10/02 - Loan Administration will formalize SOPs outlining access and storage of documents in the Collateral File Room.

Financial Administration- Budget/Travel and Payroll

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>			
	<i>Auditors</i>	<i>Report Date</i>			
223	80	Post-Payment Audit	Px	08/10/01	09/01/01
	CPA	04/30/01	lx	01/03/02	
			lxx	11/12/07	

Issue The Department does not utilize the payroll lockout security feature available in the Uniform Statewide Payroll System (USPS). By not utilizing the lockout feature, the personnel and payroll information can be altered by other agency employees after the authorized approver releases the payroll.

Status 11/12/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared

11/06/07 - As of October 1, 2004 payroll staff began using the built-in security feature available in the Uniform Statewide Payroll System.

1/14/02 - Issue being dropped from further reporting since it will be reported as implemented at the 1/17/02 Audit Committee meeting.

01/03/02 - The payroll lockout feature has been implemented effective October 1, 2001.

08/10/01 - In process of setting up lock-out feature in USPS. Should have in place by 9-1-01.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
278	96	Payroll Audit; Report No. 2.07	Px	09/30/02	10/31/02
	IA	07/23/02	lx	11/05/02	
			lx	11/12/07	
			lxx	11/19/07	
Issue	Responsibilities associated with authorizing, processing, recording and reviewing payroll transactions be separated among employees whenever possible. Increased supervision and/or appropriate compensating controls should be put into place in instances where there may be limited oportunities to segregate responsibility				
Status	11/19/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/12/07 - Payroll staff and backup staff utilize a spreadsheet that shows changes in payroll from month to month. The spreadsheet is reviewed/approved by the Budget Manager before releasing payroll. Earning statements are retained for 2 days and then are mailed to the employees' address. No earning statements are returned to payroll.				
	11/14/02 - Reported to the Board as Implemented, per Management.				
	11/05/02 - In July 2002 the Monthly payroll was processed by Joyce Rivers. Starting with the October 2002 payroll a spreadsheet was used to show changes in payroll amounts from the September to October payrolls. Spreadsheet is being given to Budget Manager who reviews and signs sheet before releasing payroll. Earnings statements are being retained/mailed for/to employees who do not pick up envelope by 2 days after payday by the employees division. No earnings statements are being returned to payroll.				
	7/23/02 - Management agrees with proposed corrective actions and has established a target date of October 31, 2002 for resolution.				

Housing Finance

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>			
	<i>Auditors</i>	<i>Report Date</i>			
13	3	Monitoring Compliance of RMRB Bond Indentures	lx	09/01/96	
	IA	06/01/95	lxx	11/02/07	
Issue	Issue written summaries of required Department actions once new deals are completed, particularly pro forma Letters of Instruction as may be required by the indenture.				
Status	11/02/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared				
	11/02/07 - Bond Finance and the underwriter of each bond issue creates a closing memorandum which entails required Department actions once new deals are completed. The closing memorandum also includes direction for processing Letters of Instruction. Bond Finance has also created a Bond Compliance Tracking System to monitor new and existing bond deals. Bond Finance also maintains a binder for each fiscal year which contains all bond related Letters of Instruction.				

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
14	3	Monitoring Compliance of RMRB Bond Indentures	lx	09/01/97	
	IA	06/01/95	lxx	11/02/07	

Issue Establish a master resource file for each bond issue to archive the initial bond issue along with all subsequent Letters of Instruction, agreements between parties, cash flow analyses, correspondence and any other relevant documentation.

Status 11/02/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.
 11/02/07 - Each bond issue has its own bond transcript book which contains the bond indenture, Letters of instructions, cash flows, and other pertinent bond information. Bond finance also maintains a binder for each fiscal year which contains all bond-related Letters of Instruction. Due to the limited storage space, other pertinent bond information is scanned and available at Q:\FINANCIA\HOUSEFIN***Transcripts.

Human Resources

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>
	<i>Auditors</i>	<i>Report Date</i>

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Code</i>	<i>Date</i>	<i>Date</i>
34	9	Audit of Human Resources Section	Px	01/20/98	
	IA	08/29/97	Px	05/18/99	
			Px	08/30/99	02/29/00
Issue		Many human resource functions are carried out by individual divisions. Decentralized responsibilities require that HRS have adequate management controls in place and that responsible employees are adequately trained to ensure consistency in the quality and implementation of human resource activities.	Px	03/03/00	09/30/00
			Px	08/29/00	01/31/01
			Px	12/07/00	02/28/01
			lx	07/11/01	NR
			lx	11/12/07	
			lxx	12/04/07	
		1. HRS has not developed human resource goals, objectives, implementation strategies, and action plans that align with the Department's vision, mission statement, and strategic plan.			
		2. Written detailed operating policies and procedures have not been developed for most of the Department's human resource functions. Additionally, HRS has not clearly established review procedures to ensure policies and procedures are carried out as intended.			
		3. Responsibilities and authority within HRS have not been clearly assigned.			
		4. HRS has not developed management information reports to allow for thorough monitoring and evaluation of human resource activities. Additionally, complete cost data related to human resource activities performed by HRS and the Department's divisions is not currently being captured for monitoring purposes. Note - Current systems do not provide the ability to capture cost information by activity/functional areas. Although we recommend that HRS develop management information reports; it is not practical at this time to include cost information in the reports.			
		5. Supervisory skills training is not required of employees hired, promoted, or transferred into supervisory and managerial positions.			
Status		12/04/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.			
		11/12/07 - Human resources have developed a FY 2008 Action plan with the goals and objectives along with SOPS for each of the human resources functions. They have also updated the job descriptions of the HR staff that includes authority and responsibilities for each employee. Human resource informs Departmental staff of current training by sending out emails and also documenting the links to the training websites in the Human Resources folder on the intranet.			
		9/10/01 - Reported to Board as implemented, per management, at 8/21/01 Audit Committee meeting.			
		12/07/00 - HR's written goals, objectives and strategies are pending Executive's approval.			

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
39	10	Audit of Human Resources Section	Px	01/20/98	
	IA	08/29/97	Ix	03/03/00	
			Ix	11/14/07	

Issue Instances of noncompliance with State law and Department policy were noted: (1) Specific criterion and documentation standards have not been developed to substantiate the granting of more than a one step merit salary increase. (2) Inadequate documentation to support the termination of an employee for disciplinary reasons. (3) Past due performance evaluations. (4) Past due timesheets. (5) Interview documentation lacking in personnel files.

Status 12/04/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

11/14/07 - The state's salary schedule no longer has steps included in the schedule and therefore, the policy of substantiating more than a one step merit salary increase no longer exists. There is a file for separate documentation file that is kept supporting the termination of an employee. This information is not file in the employees file, but in a separate locked file cabinet located in Human Resources. Human Resources tracks past due evaluations for each division on a monthly basis and provides each Division Director with their past due evaluations. Human Resources sends out a report is Tuesday to the Directors to inform them of what employees have no signed off on their timesheets. The Time and Leave Administrator stays in contact with those individuals that need to enter their time and those managers that need to approve timesheets to ensure that all time is entered in a timely fashion for payroll deadlines. A recent audit from the Civil Rights Division indicated that the necessary documentation for the hiring process was in place for those files that were audited that included interview notes, screening matrix, hiring recommendation.

03/03/00 - Audit Comment #2: The Human Resources Office does not always place all documentation related to performance issues in an employees personnel file. There is separate documentation that is kept in a separate file which may include examples, written memos, written documentation from legal to the Executive Director supporting the termination of an employee. Whenever there is an employee who is facing disciplinary action HR always involves legal for an opinion.

Audit Comment #3: Human Resources keeps track of all past due evaluations and sends monthly reminders to the supervisors for those employees who are past due. While we strive to get past due evaluations current it is also the responsibility of the supervisor/manager to conduct evaluations in a timely fashion.

Audit Comment #5: HR has been more proactive in getting supervisors to send original interview notes, documentation, etc. to our office once interviews have been conducted

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Code</i>	<i>Date</i>	<i>Date</i>
41	11	Audit of Human Resources Section	Px	01/20/98	
	IA	08/29/97	Dx	05/01/99	08/31/00
Issue	Supervisors are not trained in the interview process. Additionally, applicants have been hired for positions whose minimum education, work experience, skills, or other requirements of the position were not verified. The Department's policy, which requires Employment Opportunity Announcements to be posted for a minimum of three days, may not allow sufficient time for an adequate number of qualified candidates to apply for employment positions.		Px	08/30/99	NR
Status	12/5/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.		Pxx	03/03/00	NR
	11/14/07 - Supervisors have been provided with a Hiring Guide that includes the process for hiring an individual with many resources such as interview question samples, screening matrix, what to look for during the interview process. HR verifies all previous education, work experience, and any other requirements for the position and this information is routed through for management review and approval at the time the hiring recommendation is made. If the posting is posted externally it must be open at a minimum 3 days. Human Resources has been more involved in screening application for job postings and sends only those applicants that meet the minimum qualifications to the hiring supervisor for further review.		Px	08/29/00	01/31/01
	Discussed dropping from further reporting at Dec. 2000 Audit Committee meeting.		Tx	12/07/00	
	12/07/00 - No Action Intended - Although the Department's general philosophy and approach is to post job openings until they are filled, it does not believe that it should require a longer job posting length of time than the current three day requirement. The Department believes that it needs the flexibility associated with the shorter job posting requirement when it is needed. Additionally, there are other policies in place to help ensure the most qualified applicant is selected, including the requirement that at least three applicants be interviewed for a position if three applicants apply for the position that are qualified for the position.		lx	11/14/07	
			lxx	12/05/07	
43	12	Audit of Human Resources Section	lx	01/20/98	
	IA	08/29/97	lx	03/03/00	
Issue	Formal job analysis and job evaluation are not performed.		lx	11/14/07	
Status	12/5/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.		lxx	12/05/07	
	11/14/07 - A policy has been established effective July 19, 2007 that requires management to review the job duties of their employees as performance reviews are conducted.				
	03/03/00 - The Human Resources Office has begun to do job analysis for the agency. Each division will be responsible for completing the job analysis and will be reviewed by the Human Resources Office.				
	01/20/98 - Each summer this (a formal job analysis and job evaluation process) is required by law. In June the materials will be developed and sent to managers to implement this job analysis which is always conducted each summer.				

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Code</i>	<i>Date</i>	<i>Date</i>
45	13	Audit of Human Resources Section	Px	01/20/98	
	IA	08/29/97	Px	03/03/00	09/30/00
			Dx	08/29/00	NR
			Tx	12/07/00	
			lx	11/14/07	
			lxx	12/05/07	
Issue	HRS management does not analyze, on a Department-wide basis, employees' overall performance ratings that are required on the performance evaluation form.				
	There is not a process in place to evaluate employees' progress toward accomplishing their career goals.				
Status	12/05/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - HR provides Executive Management with the average performance rating by division and Department wide through the monthly reporting of the Executive Briefs. The Department also continues to place the responsibility of ensuring that employee's progress toward their career goals are accomplished by having the Director work closely with the employee to meet these goals. As training courses are provided to HR these courses are forwarded to staff as a resource for training.				
	Discussed dropping from further reporting at Dec. 2000 Audit Committee meeting.				
	12/07/00 - Audit Comment #2. - No Action Intended: The Department does not believe that establishing a formal process to evaluate employees progress toward accomplishing their career goals stated on the personnel evaluations is necessary to accomplish the intent of the recommendation. Employees are evaluated based on their job expectations and, to the extent that a career goal is a job expectation, it should be evaluated accordingly. Additionally, HRS has established a process that ties in to the career goals specified on employees' evaluations. As supervisor feedback and documentation on training needs and career goals are identified on personnel evaluations or by other means, the information is forwarded to the Department's Training Coordinator for scheduling of training classes. While HRS develops these plans and schedules such classes, it believes that it is incumbent on the employees and supervisor to attend the classes and to provide input into the process.				
	03/03/00 - Audit Comment #1: HRS has conducted a department-wide analysis of overall employee performance ratings and has reviewed these ratings with the ED. HRS has also reviewed a new performance evaluation system with the ED. This is pending a reorganization of the department. Along with this new system will be a training session for Supervisors/Managers and will also discuss performance rating inflation. HR will also develop an online performance evaluation review system available to employees/supervisors.				
	Audit Comment #2: HRS is in the process of developing a training plan that will tie in to the career goals for employees. The new evaluation system will allow employee/supervisor feedback and documentation on training needs and achieving career goals which will be forwarded to the agency Training Coordinator for scheduling of training classes. While HRS has the responsibility of developing these plans it should be noted that supervisors/managers also have the responsibility of making sure that their employees are reaching their career goals by counseling with their employees on a frequent basis. HRS also believes it is incumbent on the employee to express their desire for training.				
	01/20/98 - No action is intended relating to analyze overall performance ratings.				
	The Department is in the process to ensure employees are evaluated in their progress toward accomplishing their career goals.				

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>
49	15	Audit of Human Resources Section	Px	01/20/98	
	IA	08/29/97	Pxx	05/18/99	
			lx	03/03/00	
Issue		* Access to the Uniform Statewide Payroll System is not adequately controlled.	lx	11/14/07	
		* Controls over the processing of Personnel Action Forms (PAFs) are lacking.	lxx	12/06/07	
		* Corrections to the Leave and Time Accounting System (timekeeping system) by HRS are not adequately controlled.			
Status		12/06/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.			
		11/14/07 - Access to USPS continues to be restricted to only those that need access which is a primary and secondary HR staff member that consists of the HR Generalist and HR Manager. Controls have been in place for the processing of Personnel Actions. A PAF log has been developed to track the status of actions and an audit system has been set up on a monthly basis that includes a review of all processed personnel actions against the entries in HRIS and USPS. Any time a change is made to a Personnel Action an initial is required by the person making the change. There is a current Time and Leave Procedure Level II SOP that has been developed which addresses corrections to the Time and Leave system. The Time and Leave Administrator in every instance will notify the employee/manager/director of issues related to the employees timesheet via email and must be notified in writing if an employee needs to make corrections to their timesheet for any reason			
		03/03/00 - Access to USPS has been restricted (controlled) to only those that need access to perform their job duties. Access is also available to the Human Resources Manager who acts as back for entries into the system.			
		Clearly defined duties and responsibilities associated with each of the five approvals listed on the PAFS have been implemented. When changes are made to a PAF an initial is required. Although there have not been written policies or procedures related to making corrections to entries on the timekeeping system, the Time and Leave Administrator always notifies the supervisor/manager of issues related to the employees timesheet and also to making corrections when needed.			
		05/18/99 - Personnel actions for all salary changes and new hires are now entered in USPS by Human Resources. An audit system is in place to audit entries against payroll master. A Personnel Action Form log to track PA's has been implemented along with an audit system. Controls over the timekeeping system have been implemented and only those employees who require access to the system are authorized to edit and update information.			
		01/20/98 - Personnel Action Forms (PAF) for salary increases are now processed in Human Resources. An audit system has been implemented: the Human Resources Director receives a copy of all Personnel Action Forms and audits the entry through the USPS Personnel Master Report. A PAF log and an audit system have been implemented.			

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Codes*</i>	<i>Date</i>	<i>Date</i>
54	16	Audit of Human Resources Section	lx	01/20/98	
	IA	08/29/97	lx	03/03/00	
			lx	11/14/07	
			lxx	12/06/07	
Issue	Proper termination codes are not always entered into the Uniform Statewide Payroll System (USPS) when an employee terminates from the Department.				
Status	12/06/07- After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - HR continues to send an email to a departing employee with a list of termination codes and requests that the employee provide HR with the most appropriate termination code they would like for HR to use in coding their reason for termination. This code is provided to the Payroll Officer with the employees exiting Personnel Action Form and is entered into USPS by the Payroll Officer. The HR Generalist verifies that the code entered is correct by auditing the Terminated Employee Report from USPS on a monthly basis.				
	03/03/00 -The Human Resources Office currently sends a list of termination codes to the resigning employee to ask them which code is most appropriate to the reason they are leaving. This allows the employee to tell us why they are leaving as opposed to Human Resources deciding which code is appropriate.				
279	96	Payroll Audit; Report No. 2.07	Px	09/05/02	
	IA	07/23/02	lx	09/26/02	
			lx	11/14/07	
			lxx	12/06/07	
Issue	The Department's needs to (1) comply with its internal policy of having employees take time off for FLSA overtime hours accrued, (2) adopt a recently proposed policy by the Human Resources Division whereby an employee is required to take accumulated FLSA overtime hours prior to taking accumulated annual leave time, and (3) establish a policy whereby an employee is required to take time off for FLSA overtime hours accrued prior to being transferred to another division.				
Status	12/06/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - The Department policy continues to require employees to use FLSA time prior to the use of annual leave and the time and leave system has been configured to flag those requests where an employee is requesting to use annual leave prior to FLS				
	10/02/02 - Reported to the Board as implemented, per Management.				
	9/5/02 - The TDHCA Executive Director has instructed all Senior Staff to ensure that we follow Personnel Policies and Procedures 4.39, Overtime Worked and Compensatory Leave Policy. Specifically section C.12. (5) (c) that states supervisors must make arrangements for employees to take FLSA accrued time off within 90 days of the accrual.				
	Additionally, HR staff has drafted a memo for the Executive Director to send to all employees notifying them that the agency will be applying all aspects of this policy.				
	9/26/02 - New Personnel Policies and Procedures were implemented that addresses the issues noted in this finding.				
	7/23/02 - Management agrees with proposed corrective actions and has established a target date of September 1, 2002 for resolution.				

<i>DivisionName</i>	<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Date</i>

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>			
	<i>Auditors</i>	<i>Report Date</i>			
446	149	Manufacturing Housing Homeowners' Recovery Trust Fund	Px	05/31/07	09/01/07
	IA	05/31/07	lx	10/08/07	
			lxx	11/12/07	

Issue Section 2-A
Improve Controls Over Surety Bond Receivables

The HORTF Control Spreadsheet, a component of the HORTF program management information system, captures sufficient information to assess the status of receivables from surety companies for HORTF claim payments, provides reasonable assurance surety reimbursements are properly billed and collected, and is used as a "reimbursement anticipation" tool for surety reimbursements due to HORTF. However, audit exceptions relating to the completeness and accuracy of the spreadsheet were noted. Additionally, the receivable-related financial data captured on the spreadsheet cannot be reconciled with the accounting records to ensure the completeness and accuracy of the spreadsheet and accounting records.

We recommend the CFO work in coordination with the HORTF Administrator on a regular basis, no less than monthly, to ensure transactions affecting the surety receivable balance are properly accounted for in both the HORTF program records and in the accounting records.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

10/08/07 - The CFO now works in coordination with the HORTF Administrator on a regular basis to improve the completeness and effectiveness of the administrator's spreadsheet. Additionally, formal SOPs have been established to ensure prompt HORTF reimbursements.

05/31/07 - MHD Management agrees with this recommendation.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
447	149	Manufacturing Housing Homeowners' Recovery Trust Fund	Px	05/31/07	09/01/07
	IA	05/31/07	lx	10/08/07	
			lxx	11/12/07	

Issue Section 2-B
 Improve Procedures to Ensure That MHD Will Seek
 HORTF Claim Reimbursements in a Timely Manner

Letters sent to the surety companies claiming reimbursement and HORTF claims referred to the OAG are either not being consistently processed or are not being processed in a timely manner. Delays in requesting the reimbursement or pursuing advanced collection efforts may result in insufficient funds to process future claims and backlogs of claims to be paid. Delays also reduce the likelihood of ultimate collection.

We recommend formal policies and procedures be established and complied with to ensure bonding companies are promptly billed for HORTF claim reimbursements, collection efforts are pursued timely by referring all unsatisfied claims to the OAG, and uncollectible claims be accounted for and reported correctly.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

10/08/07 - Formal policies and procedures have been established to ensure bonding companies are promptly billed for HORTF claim reimbursements, collection efforts are pursued timely by referring all unsatisfied claims to the OAG, and uncollectible claims be accounted for and reported correctly.

05/31/07 - HORTF SOPs are currently in development with a targeted completion date of September 1, 2007.

449	149	Manufacturing Housing Homeowners' Recovery Trust Fund	lx	05/31/07	
	IA	05/31/07	lx	07/20/07	
			lxx	11/29/07	

Issue Section 4
 Maintain Documentation Supporting Notifications

The MHD has designed adequate controls to notify properly licensees and bonding companies of consumer claims. While sufficient documentation was maintained to support appropriate notification of bonding companies, documentation to support appropriate notification of licensees was not consistently maintained. In the test of 29 HORTF claim files, eight files did not have documentation supporting the notification of the licensee.

We recommend MHD consistently use and maintain for support the standardized letter to inform both the bonding companies and licensees of a HORTF claim

Status 11/29/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

07/20/07 - Reported to MHD Board as Implemented per Management.

05/31/07 - MHD Management implemented this change.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
450	149	Manufacturing Housing Homeowners' Recovery Trust Fund	Px	05/31/07	
	IA	05/31/07	lxx	11/12/07	

Issue Section 5-A
Establish a Quality Control Function and Cross Train a Back-up Administrator

Lack of quality control procedures resulted in numerous posting errors and incomplete data fields to the HORTF program records that preclude an accurate assessment of the status of a HORTF claim against a licensee and may preclude achieving objectives such as:

- Processing HORTF claims in the order in which they are received.
- Properly notifying consumers their claims are being processed.
- Assurance surety companies are billed for HORTF claim reimbursements.
- Prompt collection of surety companies' reimbursements.
- Assurance HORTF claim reimbursements are received.

The posting errors and incomplete data fields is a function of one employee being assigned the responsibility to administer the HORTF, and the inevitability of human error and oversight. Only one employee having a working knowledge of the administration and program system of HORTF also puts the MHD at risk of not being able to continue effective administration in a timely manner in the event of employee turnover in the position or the administrator not being able to perform job duties due to unforeseen circumstances.

We recommend the MHD establish a quality control function to provide reasonable assurance the postings to the program records used to administer HORTF claims are accurate and complete. We recommend the quality control function provide reasonable assurance of achieving the objectives of ensuring transactions affecting the surety receivable balances are properly accounted for (Section 2-A), bonding companies are promptly billed for HORTF claim reimbursements, collection efforts are timely, and uncollectible claims are accounted for (Section 2-B). We also recommend a back-up administrator be trained to provide support for the administrator. The back-up administrator could serve in a quality control capacity by sampling and testing the accuracy and completeness of the administrator's work, and also serve in the absence of the administrator.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

05/31/07 - The Consumer Protection Section will train a staff member to provide back up to the HORTF Administrator. Once trained, this person can take full responsibility and the present HORTF Administrator will become the back-up. This will be completed by the middle of FY 2008 and in the interim, the Manager of Consumer Protection can act in the absence of the HORTF Administrator.

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
451	149	Manufacturing Housing Homeowners' Recovery Trust Fund	lx	05/31/07	
	IA	05/31/07	lxx	11/21/07	

Issue Section 5-B
Restrict Access to HORTF Program Files

The License Holder Spreadsheet and HORTF Control Spreadsheet are maintained in a shared directory on the Department's local area network. All employees in the Consumer Protection Division have access to the spreadsheets. Inappropriate access to the spreadsheets may result in their unauthorized use or sabotage.

We recommend access to the HORTF program spreadsheets is restricted to only those employees that need access to perform their job duties.

Status 11/21/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

05/31/07 - This item was corrected May 16, 2007.

452	149	Manufacturing Housing Homeowners' Recovery Trust Fund	Px	05/31/07	09/01/07
	IA	05/31/07	lx	10/08/07	
			lxx	11/12/07	

Issue Section 6
Update Standard Operating Procedures

MHD's SOPs for Consumer Protection staff to direct and properly administer the daily operations related to a HORTF claim are currently out of date.

We recommend the MHD update its formal SOPs to align with actual procedures in place, applicable laws, regulations, and rules, and the policies of management and the Board.

Status 11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.

10/08/07 - SOPs have been established to align with actual procedures in place, applicable laws, rules, and policies of management and the board.

05/31/07 - HORTF SOPs are currently in development.

Portfolio Management & Compliance

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>	<i>Auditors</i>	<i>Report Date</i>
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<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
			<i>Codes*</i>	<i>Date</i>	<i>Date</i>
106	40	Letter on Internal Control and Accounting	Px	09/30/99	01/31/00
	KPMG /	12/18/98	Px	03/15/00	04/30/00
			lx	08/29/00	
			lx	11/14/07	
			lxx	12/11/07	
Issue	Repeat Finding - Review the revised circular A-133 and determine how its provisions will affect the operations of the Department and implement procedures to comply with the circular's 14 general compliance requirements and any special tests and provisions applicable to programs administered by the Department. Special attention should be given to the risk-based approach in the Circular and its relation to monitoring of subrecipients.				
Status	12/11/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - The 15 A-133 compliance requirments are considerd. PMC considers the 12 A-133 requirments in their monitoing tools and SOPs. The other 3 are considered in the Home division and Financial Administration division.				
	Reported to the Board as implemented at 10/00 Audit Committee meeting.				
	Note - The finding has two primary elements. A-133 General Requirements and "risk assessment." Management responded that they have "implemented" in connection with 8/29/2000 status update. Consideration of 14 general requirements implemented per status update dated 3/15/00.				
	Internal Audit disagrees that the risk assessment has been implemented based on its understanding of the status; however, will no longer report issue ref. #106 to the Board since risk assessment considerations are being tracked and reported to the Board in connection with issue ref. #118 which, as of this analysis, is "in process" per audit. See 8/29/2000 auditor follow-up comment which was discussed in at the October 2000 Audit Committee meeting.				
120	49	Selection of Subrecipients for Monitoring-Rpt.#9.09-2	lx	09/01/99	
	IA	06/04/99	lx	11/14/07	
			lxx	12/11/07	
Issue	The Low Income Housing Tax Credit (LIHTC) program has not been performed construction inspections in compliance with the Department's appropriations, Rider 11, General Appropriations Act, Seventy-fifth Legislature, Regular Session, effective September 1, 1997, which states, in part, "... inspect all construction for quality during the construction process while defects can reasonably be corrected..."				
Status	12/11/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared.				
	11/14/07 - The process for construction inspections is outlines in section 60.103 of Compliance Monitoring rules approved by the Board.				
	06/04/99 - Management accepts recommendations.				

Texas Home Ownership Program

<i>Ref. #</i>	<i>ReportID</i>	<i>Report Name</i>
	<i>Auditors</i>	<i>Report Date</i>

<i>DivisionName</i>			<i>Status</i>		<i>Target</i>
	<i>Codes*</i>	<i>Date</i>	<i>Code</i>	<i>Date</i>	<i>Date</i>
264	93	Controls Over Single Family Loans; Report No. 1.05	Px	04/22/02	05/01/02
	IA	01/07/02	Px	07/22/02	08/31/03
			Px	10/02/02	
Issue	HOME program management should develop and implement processes to ensure that all required/necessary loan documentation is acquired to adequately support and protect the Department's interests in HAP loans. Strategies should be developed to identify all historical HAP loans and to accumulate documentation to support all outstanding balances.		Px	10/25/02	06/15/03
Status	11/12/07 - After review of the Documentation provided Internal Audit determined the Audit Issue was cleared		lx	01/28/03	
	11/12/07- Staff has entered all documents pending receipt into the new Loan Servicing system (MITAS). Status reports showing documents pending are provided to HOME Program staff for communication to the Administrators. Administrators who fail to remedy long standing documentation issues have future draws held		lxx	11/12/07	
	3/20/03 - Reported to the Board as implemented at the February 13, 2003 meeting.				
	01/28/03 - Staff has entered all documents pending receipt into the new Loan Servicing system (MITAS). Status reports showing documents pending are provided to HOME Program staff for communication to the Administrators. Administrators who fail to remedy long standing documentation issues have future draws held.				
	Internal Audit Comment: The time period for "long standing documentation issues" should be specifically defined so graduated sanctions can be consistently applied.				
	10/25/02 - HOME staff has begun review of all historical files for presence of documentation. Once review is complete, HOME staff will determine method of retrieving loans documents or other action as required. It is intended that an interface with the Mitas system can be developed to help track loan documents.				
	10/02/02 - Management plans to identify historical HAP loans funded from the HOME program and, once identified, develop strategies to accumulate the necessary documentation, at which time a target date for completion will be estimated.				
	7/31/02 - Management has reported that the new HOME Program Policy and Procedure manual, implemented effective 3/1/2002, requires contract administrators to submit all necessary loan documents in connection with homebuyer assistance loans funded/reimbursed with HOME funds. In conjunction with the implementation of the new manual, a contract file documentation form and contract close-out checklist were developed and implemented for internal review and control procedures to ensure documentation and a control mechanism.				
	In addition, through the implementation of the new policy manual, effective 3/1/02, a contract close-out process has been implemented for designated staff review of all homebuyer assistance loans that have been funded by the HOME Program to ensure the receipt of proper documentation and to provide a control mechanism.				
	04/22/02 - The HOME staff will be providing Loan Servicing with a weekly report of all HBA draws, starting May 1, 2002, so that each loan and trailing documents can be properly tracked in Mitas.				
	03/10/02 Management responded that it implemented a procedures in November 2000 that should minimize the risk going forward and that HOME will be formulating a revised plan to address the documentation issues for those disbursements in Genesis that are				

<i>DivisionName</i>	<i>Status Codes*</i>	<i>Date</i>	<i>Target Date</i>
identified as HAP loans.			

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and final order adopting new 10 TAC Chapter 53, HOME Program Rule.

Requested Action

Adoption of the Repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and final order adopting new 10 TAC Chapter 53, HOME Program Rule.

Background

The Department conducted five public meetings to accept public comment on the proposed changes to the HOME Program Rule (10 TAC Chapter 53) as published September 24, 2007 in the *Texas Register*. Public hearings on the new rule were held in El Paso (September 24, 2007), Lubbock (September 28, 2007), Brownsville (October 3, 2007), Houston (September 26, 2007), Dallas (October 1, 2007), and Austin (October 4, 2007). Additionally, written comments on the new rule were accepted by mail, e-mail, and facsimile through October 29, 2007. The Department also received comments in writing, by e-mail, fax, and mail.

The new rule ensures compliance with statutory requirements as per changes in Chapter 2306, Texas Government Code during the 80th legislative session. In order to offer consistency and uniformity among housing programs, changes were made to the rule in the areas of definition. To provide clarity regarding administrative processes, additional sections were added to assist in formalizing those program processes. Finally, to streamline and update certain processes, some sections were removed or collapsed with other relevant sections.

The responses to public comment are summarized below and include administrative clarifications, changes and corrections made to the HOME Program Rule by staff, as well as substantive public comments and the corresponding Department response. Comments and responses are presented in the order the issues appear in 10 TAC Chapter 53. For ease of review, after each comment title, numbers are shown in parentheses. These numbers refer to the person or organization that made the comment as reflected in the commenter key, located at the end of this document. Copies of the exact comment letters provided are available on the Department's website. In some cases the text of the draft rule, as taken out for public comment, is provided first to provide the proper context for the comment provided.

General Public Comment

Comment:

Commenter expresses disappointment that the recommendations offered by the HOME Task Force were largely ignored by staff in drafting the proposed rule. Concern was also stated that if the board adopts these rules, there will be a decline in applications across OCC, HBA and TBRA programs. (64)

Staff Response:

Comment is not specific to proposed rule, however it should be noted that some of the Task Force recommendations have indeed been addressed as will be mentioned throughout this document. There were seventy-six (76) specific Task Force recommendations. Of those some conflicted with Federal or Legislative requirements or often each other; therefore not all of the proposed changes could be implemented or incorporated into the proposed rule. As an additional consideration, some of the recommendations have already been indirectly incorporated as policy. As an example, the reorganization of the HOME Division to create “one group” responsible for the administration of the HOME Program has effectively addressed several Task Force concerns: increased technical assistance and contract oversight for contract performance; streamlining application requirements by revisiting processes (such as open application cycles) to help distribute funds as they are needed; and identifying internal expertise to work on creating a Community Housing Development Organization (CHDO) training process. Finally, some of the recommendations by the HOME Task Force that were incorporated into the proposed rule include increasing the contract term for both OCC and TBRA and changing the contract start date to be effective when the Department’s Executive Director executes the contract. Staff has also included recommended changes to the proposed rule to address Rider 5 eligible households and increased soft costs to provide funding for expenses related to the loan closing requirements.

Comment:

Commenter states the HOME Task Force recommendations regarding the timelines for TBRA assistance for those organizations assisting people with disabilities transitioning from an institution should be adopted. (66)

Staff Response:

Comment is not specific to what timelines should be adopted, however staff feels that that current timelines balance sufficient time for contract fulfillment with the need to assist Texans promptly.

Comment:

One document containing comment and signatures for some of the HOME Task Force members and additional community members was received. This comment will be summarized in this section as it does not directly address specific changes to the proposed rule, but rather addresses HOME Task Force recommendations. The comment stated the group’s disappointment in incorporating fifteen recommendations subcommittee members presented in the four issue areas of:

- 1) Form of assistance for Owner Occupied Housing Program (loan versus grant),

- 2) Determination of appropriate contract terms,
- 3) Interim contract performance benchmarks, and
- 4) Match requirements.

Major recommendations made by these subcommittees that the commenters felt had not been included in the proposed rule include: grants for Rider 5 eligible households, an increase in soft costs percentage to cover unfunded costs resulting from 2006 program changes, a 24-month contract term for the Owner-Occupied Housing Assistance Program (OCC), a contract start date tied to TDHCA execution date, technical assistance for missed benchmarks, and a reduction in match percentages based on population.

Regarding the first issue of form of assistance for OCC, the commenters identified several specific recommendations that were not included in the proposed rule including the incorporation of a Demonstration Loan Program, providing for unfunded additional soft costs, and not requiring an additional four years of homeowners insurance.

In the second issue area, the determination of contract terms, the commenters stated a desire to return the OCC contracts to a 24-month term with recommended contract benchmarks, adopt new benchmarks for Tenant-Based Rental Assistance (TBRA) for Persons with Disabilities (Olmstead) contracts, adopt new benchmarks for the OCC contracts, and adopt new benchmarks for Homebuyer Assistance Program (HBA) contracts.

The third issue area of interim contract performance measures recommendations include: allowing the procurement of professional services prior to contract award, incorporating new standards if benchmarks are missed including a mandatory technical assistance visit from the Department on missing the first benchmark by more than 30 days and requiring a workout plan if a subsequent benchmark is missed with option to deobligate if no resolution.

Additionally changes to the proposed rule that were never presented to the Task Force for discussion include a reduction in soft cost percentage, limiting the number of progress inspections, listing a minimal number of “eligible” line item soft costs, and requiring contract amendments for each benchmark missed.

With regards to the recommendation of grants for Rider 5 eligible households, there are two stated points. First, the loans for this targeted group creates a burden on the Contract Administrators creating the loan packages. Second, by requesting loan repayment, there is an undue burden on elderly, who even at \$100 a month, may need to make choices between safe housing, food, utilities, and medicine. An alternative suggestion is utilizing a five-year deferred forgivable loan that is secured by a promissory note (not requiring a closing, appraisal, or title commitment).

Finally, regarding match, commenters identified three issues that were not addressed in the proposed Rule including the elimination of match for TBRA Contract Administrators, the reduction of the match scoring requirement for applicants other than TBRA, and the reduction of the match percentage for smaller cities and counties as a threshold requirement upon application.

(69,69a,69aa,69b,69bb,69c,69cc,69d,69dd,69e,69ee,69f,69ff,69g,69gg,69h,69hh,69i,69ii,69j,69j j, 69k,69kk,69l,69kk,69m,69mm,69n,69nn,69o,69oo,69p,69pp,69q,69qq,69r,69rr,69s,69ss,69t, 69tt,69u,69v,69w,69x,69y,69z)

Staff Response:

Please note that since this general public comment merely references that the Department did not adopt the HOME Task Force language and recommendations and does not specifically provide comments citing sections of the proposed rule, staff has not revisited the HOME Task Force language and recommendations with a reasoned response. At the time the Task Force met, staff informed all members that their recommendations would be considered, but not necessarily adopted. In drafting the proposed rule, all HOME Task Force recommendations were reviewed and to the extent they were consistent with Board policy and the Department's goals, staff attempted to incorporate them into the draft rule.

Comments on the Proposed HOME Rule, 10 TAC, Chapter 53

§53.2 Definitions

Comment:

The definition of “Persons with Disabilities” should be inclusive of households with a child or children who have disabilities. Children deserve access and that the increased expenses of living with a disability are also increased expenses for children and their families. (60, 65, 66)

Staff Response:

Staff concurs with the comments and recommends the following change to the proposed rule:

(72) *Persons with Disabilities--A Household composed of one or more Persons, at least one of whom is ~~a Person~~ a Person, who has a disability that is a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of such a nature that such ability could be improved by more suitable housing conditions. A Person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability and as further defined at 24 CFR §92.2.*

Comment:

Commenter states the HOME Advisory Task Force, as well as staff, recommended that the Match Guidelines be revised to allow for all eligible match sources. While the Match Guidelines are not in 10 TAC, it is reasonable for the Board to revise the Match Guidelines as recommended by the HOME Advisory Task Force and staff as soon as possible. (62)

Staff Response:

It is not necessary to revise the Department’s Match Guidelines since all eligible match sources are already accepted by the Department. Comment is not specific to what sources are not acceptable to the Department. Additionally, there was no recommendation from the HOME Task Force regarding eligible match sources.

§53.31 Owner-Occupied Housing Assistance Program (OCC). Administrative Change

Language in Draft Rule: (c) *Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:*

(1) *the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act, §19(1);*

(2) *the unit is permanently installed-down;*

Staff Recommendation:

Staff recommends an administrative change to delete the word ‘down’ for more accurate wording.

§53.31 (b) Owner-Occupied Housing Assistance Program (OCC):

Commenter requests further clarification of ownership documents that must be provided in this section of the rule since Warranty Deeds, Deeds of trust, and Life Estates are not specifically stated. (62)

Staff Response:

The commenter seems to be referring to documents that may be used as evidence of ownership. However, this section of the rule provides what forms of ownership are acceptable to receive HOME assistance. Acceptable evidence of homeownership is provided in the HOME Program Manual. No change to proposed rule is recommended.

§53.31 (g) Owner-Occupied Housing Assistance Program (OCC):

Language in Draft Rule: (g) *The maximum amount of assistance to an eligible Household is based on Household size:*

“Figure: 10 TAC 53.31 (g)”

<i>Rehabilitation that is Reconstruction for 1-4 person Household</i>	<i>Rehabilitation that is Reconstruction for 5-6 person Household</i>	<i>Rehabilitation that is Reconstruction for 7 or more person Household</i>	<i>Rehabilitation that is not Reconstruction</i>
<i>\$60,000</i>	<i>\$67,500</i>	<i>\$75,000</i>	<i>\$30,000</i>

Commenter requests increases be taken into consideration for situations such as On Site Sewer Facilities (OSSF) and historic properties. Comments include that if a septic system needs to be replaced, these figures should adjust up \$5,000 for a standard system and \$7,500 for an anaerobic system. Additionally, if the home being assisted must be rehabilitated due to a historical determination from the Texas Historical Commission, then the above figures plus an additional \$10,000 should apply to rehabilitation without reconstruction. Lastly, commenter suggests using the CPI index for residential construction in Texas for these limits with automatic adjustments upward each year, requiring no Board action. (62)

Staff Response:

As has been allowed in the past, Department management will continue to review and allow budget revisions on a case-by-case basis for On Site Sewer Facilities. Staff does not believe the intent of the program is to rehabilitate historic homes and does not recommend an increase. Staff does not recommend using the CPI index for annual, automatic adjustments to these assistance limits. These limits can be reviewed during the rulemaking process or adjusted through Board action at any time during the year, if necessary. No recommended change to the proposed rule.

§53.31(j) Owner-Occupied Housing Assistance Program (OCC):

Language in Draft Rule: *(j) The form of assistance to an eligible Household is based on AMFI except in the instances of a MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. For Rehabilitation that is Reconstruction (excluding contract for deed conversion), the Loan amount is based upon the amount of assistance minus the appraised value of the existing housing unit. Upon completion of the Reconstruction, the Department will reduce the Loan amount with a principal reduction for any change orders that resulted in a net decrease in the amount of assistance, a new decrease of the after-improved value and 10% of the after improved value of the Housing unit.*

Commenter questioned why this language is being changed from the 2006 program rules of including the value of the land when calculating the loan balance. If this program is to remain a loan program, instead of a grant program, the appraised value used to calculate the loan basis should include the land value. (62)

Staff Response:

The appraised value of the existing housing unit cited in the rule does include the land value. Staff has reviewed the Board transcripts and is recommending the following administrative revision (highlighted below) to correctly calculate the original loan amount and final loan balance after adjustments are made for equity, as was intended by the Board.

(j) The form of assistance to an eligible Household is based on AMFI except in the instances of a MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. In accordance with Rider 5 of the Department's Legislative Appropriation, the Department shall use the state average median family income in determining the form of assistance as prescribed in Figure 10 TAC 53.31(j) for eligible Households living in those counties where the area median family income is lower than the state average median family income. For Rehabilitation ~~that is Reconstruction~~ (excluding contract for deed conversion), the Loan amount is based upon the amount of assistance to be provided to the household. Once construction is complete, the loan balance will be determined by subtracting from the 'as complete' final appraised value of the housing unit, minus the appraised value of the existing housing unit (initial appraisal) and 10% of the 'as complete' final appraised value. ~~Upon completion of the Reconstruction, To ensure the correct equity credit is provided, -the Department will reduce the Loan amount with a principal reduction in the amount necessary to arrive at the correct loan balance, taking into account for any change orders that resulted in a net decrease or increase in the amount of assistance, a new decrease of the after-improved value and 10% of the after improved value of the Housing unit.~~

Comment:

Language in Draft Rule: Figure: 10 TAC 53.31(j)

AMFI	Rehabilitation or Reconstruction
<=30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and <=50% AMFI <i>Assuming a 40K note payment is \$66.67 mo*</i>	0% interest, 20-year term Loan. Repayable for first 10 years on 50-year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and <=60% AMFI <i>Assuming a 40K note payment is \$83.33 mo*</i>	0% interest, 20-year term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and <=80% AMFI <i>Assuming a 40K note payment is \$166.67 mo*</i>	0% interest, 20-year term repayable Loan.

*Items in red added for discussion purposes

Commenter states that requiring repayment for people below 50% AMFI should not be the goal of the program. In many Texas counties a family of two, just over 30% AMFI, with a **gross** income as low as \$863 a month should receive assistance in the form of a grant. Households with incomes below the State of Texas 50% AMFI (table below) should receive assistance in the form of a grant. Households between 50% AMFI and the following annual incomes should receive assistance in the form of a 5-year forgivable loan that is secured with a simple promissory note:

Household Size	1	2	3	4	5	6	7	8
Annual Income	\$24,900	\$28,450	\$32,000	\$35,550	\$38,400	\$41,250	\$44,100	\$46,950

These figures should be adjusted up in an amount equal to the increase in Social Security benefits at the beginning of each calendar year.

Any households assisted under a Disaster Relief Activity should receive assistance in the form of a grant, as should any household with a disabled member or household with an elderly (over 62) member. (62)

Staff Response:

It appears that the commenter is referring to counties affected by Rider 5 of the Department’s Legislative Appropriation since the State of Texas 50% AMFI is referenced. Language used in this rider in previous years established income limits that were closest to the State of Texas 50% AMFI. However, staff is uncertain which AMFI levels are referenced in the chart provided by the commenter. Staff recommends a change to the proposed rule to address Rider 5 eligible households as follows below. The Board established the loan policy for the OCC Program in February 2006 and staff agrees with the policy established. HUD is supportive of utilizing loans to provide a Participating Jurisdiction (PJ) the ability to recapture funds. Furthermore, numerous local Texas PJ’s and large State PJ’s require secured loans as the form of assistance for their owner occupied rehabilitation programs.

(j) The form of assistance to an eligible Household is based on AMFI except in the instances of a MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. **In accordance with Rider 5 of the Department’s**

Legislative Appropriation, the Department shall use the state average median family income in determining the form of assistance as prescribed in Figure 10 TAC 53.31(j) for eligible Households living in those counties where the area median family income is lower than the state average median family income. For Rehabilitation ~~that is Reconstruction~~ (excluding contract for deed conversion), the Loan amount is based upon the amount of assistance to be provided to the household. Once construction is complete, the loan balance will be determined by subtracting from the 'as complete' final appraised value of the housing unit, minus the appraised value of the existing housing unit (initial appraisal) and 10% of the 'as complete' final appraised value. ~~Upon completion of the Reconstruction, To ensure the correct equity credit is provided, -the Department will reduce the Loan amount with a principal reduction in the amount necessary to arrive at the correct loan balance, taking into account for any change orders that resulted in a net decrease or increase in the amount of assistance, a new decrease of the after-improved value and 10% of the after improved value of the Housing unit.~~

Comment:

Based on the added expenses and administrative burden to the contract administrator and consumers for the requirement of a closing, termed deferred forgivable loans for the Owner-Occupied Activity are recommended – particularly for serving households with a member with a disability. (66)

Staff Response:

Staff understands the concerns expressed by commenters requesting a return to grants and the potential hardship created with repayable, amortizing loan for households at or below 60% AMFI, especially when taking into consideration that elderly or disabled households’ incomes are typically declining when the assistance is provided and considering the current foreclosure rates nationwide. Since a deferred, forgivable loan will ensure an enforceable lien against the property assisted and an ability to recapture funds, staff recommends the following changes to the rule:

“Figure: 10 TAC 53.31(j)”

AMFI	Rehabilitation or Reconstruction
<=30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and <=50% AMFI	0% interest, 2015-year <u>deferred, forgivable-term</u> Loan. Repayable for first 10 years on 50 year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and <=60% AMFI	0% interest, 20-year <u>deferred, forgivable-term</u> Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and <=80% AMFI	0% interest, 20-year term repayable Loan.

Comment:

Commenter states, regarding the OCC Program, that changes in match requirements and form of assistance provided have made it difficult to assist the poor in the community. Most of the potential applicants are elderly and cannot commit to five-year forgivable loans or mortgages. (68)

Staff Response:

Match requirements will be described in each NOFA and staff agrees with the recommendations made by the HOME Task Force regarding adjustments for population in determining the city or county's match requirement. Additional analysis must be performed in order to ensure that this method of determining the match requirement of Contract Administrators will allow the Department to meet its Federal match requirement.

The Board established the loan policy for the OCC Program in February 2006 and staff agrees with the policy established. HUD is supportive of utilizing loans to provide a Participating Jurisdiction (PJ) the ability to recapture funds. Furthermore, numerous local Texas PJ's and large State PJ's require secured loans as the form of assistance for their owner occupied rehabilitation programs. No change to proposed rule is recommended.

Comment:

Commenter states the HOME Task Force recommended a return to a grant program for those at 30% or less AMFI and those on Rider 5 (which allows those at 50% or less to be assisted as if they are 30% or lower in cases where the County's AMFI is lower than that of the State). We ask the Board to adopt the HOME Task Force recommendations, retaining a 5-year deferred forgivable loan for those at 31%-50% AMFI (non-Rider 5). Under their recommendation, those at 51-80% would require an amortized direct loan with monthly payment of principal and interest with a maximum rate of 2% per year. (56, 61)

Staff Response:

Staff is recommending a change to the proposed rule to address Rider 5 eligible households as noted earlier. The Board established the loan policy for the OCC Program in February 2006 and staff agrees with the policy established. HUD is supportive of utilizing loans to provide a Participating Jurisdiction (PJ) the ability to recapture funds. Furthermore, numerous local Texas PJ's and large State PJ's require secured loans as the form of assistance for their owner occupied rehabilitation programs.

§53.31 (m) Owner-Occupied Housing Assistance Program (OCC):

Language in Draft Rule: *(m) In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease, unless the Property is transferred by devise, descent or operation of law upon the death of the homeowner that is a Household whose Annual Income does not exceed 30% of the AMFI.*

Commenter stated the Department does a disservice by penalizing householder family members who earn less than 80% AMFI by placing their home at risk should the original assisted homeowner be forced to relocate due to medical reasons. To reduce the unnecessary burden on TDHCA staff, it is strongly recommended that any loan balance (forgivable or otherwise) be forgiven upon the death of the head of household, if the head of household has to move due to incapacitation (i.e. nursing home, with a child, etc.), or if the home must be sold due to unexpected medical expenses. In addition, the HOME program eligibility is based on 80% AMFI and this should be the standard for loan forgiveness when a low or moderate-income household obtains the house after the death of the initial party assisted. (62)

Staff Response:

Through Rider 5 of the Department’s Legislative Appropriation, the State Legislature has adopted an express goal of assuring that a significant portion of the funds provided under the HOME Program go to persons whose income is 30% of the statewide AMFI or below. The Department has expressed its desire to meet this requirement by developing rules that encourage administrators to seek out program participants who meet these objectives. The purpose of having a length of time to live in the home encourages that the program will go directly to those who need it the most by creating an “affordability period” type requirement. While all persons eligible for this program should be able to benefit, where the state has identified target populations, the Department will follow that guidance. Where possible, the Department also looks to recycle funds for those persons who can afford to repay a portion of their loan and has created a tiered system to promote that goal as well. This section of the proposed rule was also written to be consistent with general HUD affordability requirements. No change to proposed rule is recommended.

§53.31 (n) Owner-Occupied Housing Assistance Program (OCC):

Language in Draft Rule: *(n) In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.*

Commenter stated, to reduce the unnecessary burden on TDHCA staff, it is strongly recommended that any loan balance (forgivable or otherwise) be forgiven upon the death of the head of household, if the head of household has to move due to incapacitation (i.e. nursing home, with a child, etc.), or if the home must be sold due to unexpected medical expenses.(62)

Staff Response:

Staff does not recommend a change to the proposed rule.

§53.32 (b) Homebuyer Assistance Program (HBA). Administrative Change

Language in Draft Rule: *(b) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:*

(1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act, §19(1);

(2) the unit is permanently installed ~~down~~;

Staff Recommendation:

Staff recommends an administrative change to delete ‘down’ for more accurate wording..

§53.32 (e) Homebuyer Assistance Program (HBA)

Comment:

Commenter questioned the allowability of homebuyer assistance up to \$15,000 for a disabled person. Commenter indicates that this is confusing because homebuyer assistance is a mathematical formula and has nothing to do with a person’s physical ability. The maximum should be the same, either \$15,000 or \$10,000. If more money is needed to change the house to make it accessible, it is fine and it is indicated in rule to be \$25,000. (61)

Staff Response:

Based on staff discussion with organizations that serve Persons with Disabilities, the household income that includes a person with a disability is typically affected if they attempt to save money. This may result in a reduction in benefits or income received. Furthermore, most of these organizations tier the level of assistance based on income level. Therefore, households with a lower income level, received the greatest amount of assistance and households with a higher income level, receive the least amount of assistance, typically \$3,000 max. Staff does not recommend a change to the proposed rule.

§53.32 (j) Homebuyer Assistance Program (HBA). Administrative Change

Language in Draft Rule: ~~(j) For contract for deed conversions and when a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the form of assistance to an eligible Household is based on AMFI:~~

Figure: 10 TAC §53.32(j)

AMFI	MHU Replacement with Stick-Built or Alternate Site
≤30% AMFI	0% interest, deferred, forgivable loan based on federal affordability requirements as defined in 24 CFR §92.254.
>30% and ≤50% AMFI	0% interest, 20-year term Loan. Repayable for first 10 years on 50-year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and ≤60% AMFI	0% interest, 20-year term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and ≤80% AMFI	0% interest, 20-year term repayable Loan.

~~(ml) With the exception of subsection (j) of this section, the total amount of assistance under this section and Program Activity, including Rehabilitation and activities involving contract for deed conversion, a MHU being replaced with newly constructed housing (site-built), and a housing unit being replaced on an alternate site, will be provided in the form of a zero percent (0%) deferred, forgivable Loan with a term based on the federal affordability requirements as defined in 24 CFR §92.254.~~

Staff Recommendation:

Staff recommends deleting subsection (j) in order meet federal affordability requirements. This deletion requires a renumbering of this section and a revision to the subsection (m) as noted above.

§53.47 Application and Award Limitations

Comment:

Commenter state the Department should allow the maximum award amount of \$525,000 [7 x \$75,000] for disaster relief instead of \$500,000. (62)

Staff Response:

A maximum award amount of \$500,000 allows a Contract Administrator to serve 5-8 households with reconstruction depending on the maximum unit level of assistance. Staff does not recommend a change to the proposed rule.

§53.48 Application Review Process. Administrative Change.

Language in Draft Rule: (A) *Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.*

(B) *Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department ~~may~~will issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.*

(C) *Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application within 30 days of the Application enters Phase Three. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.*

(b) Applications received by the Department in response to a Competitive Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis during the Application Acceptance Period as specified in the NOFA;

(2) Applications submitted and accepted by the Department will be reviewed for eligibility, threshold and selection criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM. A comprehensive review of financial feasibility for RHD and Single Family Development Program Activities will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. If applicable, a review of the CHDO Certification Application will be performed. The Department will issue a notice of any Administrative Deficiencies for items reviewed within 45 days of the Received Date. If Administrative Deficiencies are not cured to the satisfaction of the Department within five (5) business days of the deficiency notice date, then five (5) points shall be deducted from the selection score for each additional day the Administrative Deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected within seven (7) business days from the deficiency notice date, then the Application shall be terminated; and

(3) Upon completion of review and no unresolved Administrative Deficiencies, the Application will be reviewed for recommendation to the Board by the Committee.

Staff Recommendation:

In an effort to provide clarification on the review process, staff recommends the above changes to the proposed rule:

§53.72 Contract Terms and §53.73 Contract Amendments

Comment:

Commenter stated that this appears to be intended solely as a punitive measure with no purpose other than to create additional paperwork and “hoops” for the Administrators. Additionally, there is no technical assistance associated with an Administrator missing a benchmark. Commenter also stated the agency takes a period of several months to approve contract amendments. If this continues, benchmarks and contracts will expire while waiting for approval of contract amendment. Commenter asks the Board to replace this contract amendment policy regarding benchmarks with the policy recommended by the HOME Task Force for dealing with failure to meet benchmarks, as follows:

1. If the first benchmark is missed by more than 30 days, the Department will contract the Administrator and their consultant (if any) to arrange a technical assistance visit.
2. If the second benchmark is missed by more than 30 days and the plan of action agreed to by all parties has not been implemented, the Department will contact the Administrator and their consultant (if any), and the administrator will be required to provide full explanation of the reason(s), including extenuating circumstances, which have caused the second delay.
 - a. If a reasonable explanation for the delay has been missed more than 30 days, 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 second delay, the Department may de-obligate any unexpended funds, provided that demolition has not begun on home:
 - i. For homes on which demolition has begun, and it is reasonable to assume completion prior to contract expiration, fund for those homes will not be de-obligated.
 - ii. Any projects that have had no work started may have their funds de-obligated by the Department.
3. De-obligation of funds due to expenditure issues will not prohibit the Administrator from participating in future HOME program funding cycles.
4. Voluntary de-obligation of unexpended contract balance by the administrator will have no adverse effect on future participation in the HOME program. (56)(62)

Staff Response:

With the reorganization of the HOME Division and the institution of a Performance Management Team, Contract Administrators will be provided more timely responses to amendment requests, technical assistance and performance oversight. The team will be reviewing performance based on the benchmarks established in the proposed rule, providing technical assistance to help the CA reach the benchmark and recommend possible action regarding continued delays in progress or lack of performance. No change to proposed rule recommended.

§53.72 (a) (1) Contract Terms

Comment:

Commenter states the HOME Task Force recommended a return to the 24-month contract length plus the 60 day grace period for OCC contracts. However, the proposed rules set a 22-month contract length, with a 20-month benchmark for completion of all work. Essentially, the 60-day grace period has been incorporated into the contract term itself. Commenter asks the board to act on the HOME Task Force’s recommendation to change the proposed rules to reflect the 24-month contract term that is most realistic and appropriate for actual time required to implement a HOME project. (56)

Staff Response:

Staff is confident that a 22-month contract term for the OCC Program is adequate since Contract Administrators will typically reconstruct or rehabilitate 5 homes under this program as the current maximum award amount is structured. No change to the proposed rule is recommended.

Comment:

Commenter asks the Board to change the proposed rules to reflect the recommendations of the HOME Task Force as seen below:

1. Contract start date on the date it is executed by the TDHCA Executive Director
2. Procurement of professional services should be allowed prior to the contract award.
3. The following benchmark targets should apply to all contracts:
 - a. 6 months – contract environmental clearance complete
 - b. 12 months – application intake complete

- c. 18 months – site specific environmental clearance submitted to TDHCA
- d. 20 months – all set-up documentation submitted to TDHCA, committing 100% of the funds to be expended
- e. 24 months – All funds expended and all match supplied. (Follow with a 60-day grace period to submit trailing documents and draws.) (56)(62)

Staff Response:

Section 53.71 of the proposed rule states the contract will be effective when executed by all parties as requested by the Task Force. Additionally, staff has already administratively implemented this change in the 2007 contracts. The contract templates have been modified to allow the effective date of the contract to occur upon execution by the Department’s Executive Director. The current contract provisions do not prohibit the procurement for professional services prior to the contract award, however, in order for the Contract Administrator to be aware of and correctly perform the necessary procurement procedures to ensure eligibility of the costs associated with the procurement itself and/or the goods and services obtained, the Contract Administrator should contact Department staff for information, technical assistance and/or training to ensure the ability to be reimbursed for those costs. Staff deem the benchmarks established in the proposed rule more accurately reflect the required performance targets to ensure contractual compliance within the contract term. No change to the proposed rule is recommended.

§53.80 Documents Supporting Mortgage Loans

Language in Draft Rule: *(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request Loan documents be prepared for the Household:*

(1) An as-is and final appraisal or an as-is and as-built appraisal no older than ninety (90) days;

Comment:

Commenters indicates that this section appears to be helpful in reducing a little of the additional burden than the 2006 HOME Program rule changes placed on the Administrators. Commenters support the change of allowing the use of an as-built appraisal combined with the as-is appraisal and recommend allowing for an as-built appraisal, as presented in the proposed rules. (62)

Staff Response:

Staff has reevaluated the use of an as-built appraisal and recommends changing this section to only allowing the final appraisal or as-complete appraisal since this ensures the most accurate market value of the housing unit once it is constructed and takes into account and change orders that may have increased or decreased the final value of the property. Please note that the final as-complete appraisal will be required to be submitted before the release of retainage to ensure the correct loan balance is calculated. Staff recommends the following change to the proposed rule:

(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request Loan documents be prepared for the Household:

(1) An as-is ~~and final appraisal or an as-is and as-built~~ appraisal no older than ninety (90) days;

§53.81 (18) General Contract Administration

Comment:

Commenter states the 4-month rule for demolition does not take into account the actual amount of time it takes to construct a unit (average time from construction demolition is 45 to 60 days). The recommendation is to ensure that the demolition of any housing unit does not occur less than the time allowed in the construction contract plus 15 calendar days (or, in the case of a MHU, the time allowed in the purchase, delivery, and set-up contract) to complete said home. (62)

Staff Response:

Staff recommends changing this requirement to no less than 6 (six) months prior to the Contract end date since a loan closing will typically be required and this period of time will allow for document preparation, loan closing, demolition and completion of construction well in advance of the Contract end date.

(18) Ensure that the demolition of any housing unit does not occur less than 6 (six)-4 (four) months prior to the Contract end date.

§53.81 (23) General Contract Administration. Administrative Change

Staff Recommendation:

In order to allow enough time for loan closing and construction, staff recommends the following change:

(23) Submit all Project setups and support documentation for Households to be assisted no later than ninety (90) days prior to the Contract end date; In the event that a loan closing is required for single family Rehabilitation or Reconstruction, non-development activities, all Project setups and support documentation must be submitted no later than one hundred eighty (180) days prior to the Contract end date;

§53.85 Soft Cost Limitations

Language in Draft Rule: *(a) The Department has established cost guidelines and limitations for soft costs related to the OCC and HBA Program Activities.*

(4) Unless otherwise noted, all items are limited to one (1) occurrence per Project or Activity.

“Figure 10 TAC §53.85(a)(4)”

OCC	Reconstruction	Rehabilitation
<i>Project or Administrative Cost</i>		
<i>Application intake and processing</i>	\$ 350	\$ 350
<i>Appraisal (limited to 2 at \$500 max each)</i>	\$ 1,000	N/A
<i>Construction and disbursement documentation preparation</i>	\$ 50	\$ 50
<i>Environmental review</i>	\$ 300	\$ 300
<i>Exempt administrative environmental</i>	\$ 50	\$ 50
<i>Final inspection</i>	\$ 200	\$ 200
<i>Information services</i>	\$ 50	\$ 50

<i>Initial inspection</i>	\$ 500	\$ 500
<i>Procurement of contractor</i>	\$ 300	\$ 300
<i>Progress inspections (limited to 4 at \$200 max each)</i>	\$ 800	\$ 800
<i>Pre-construction conference</i>	\$ 200	\$ 200
<i>Project document preparation</i>	\$ 50	\$ 50
<i>Punch list verification inspection</i>	\$ 200	\$ 200
<i>Schedule of values</i>	\$ 100	\$ 100
<i>Work write-up</i>	N/A	\$ 500
<i>Work write-up summary/cost estimate</i>	\$ 400	\$ 400
Administrative Cost Only		
<i>Affirmative marketing plan</i>	\$ 50	\$ 50
<i>Financial management</i>	\$ 75	\$ 75
<i>Procurement of professional service provider</i>	\$ 300	\$ 300
<i>Recordkeeping</i>	\$ 75	\$ 75
Project Cost Only		
<i>Plans (market value)</i>	N/A	\$ 200
<i>Plans and specification manual (market value)</i>	\$ 1,500 ¹	N/A
<i>Specification manual</i>	N/A	\$ 200

¹ Plans and specifications are not an allowable cost when a housing unit is replaced with a MHU.

HBA	
Project or Administrative Cost	
<i>Application intake and processing</i>	\$ 350
<i>Preparation of loan documents</i>	\$ 100
<i>Environmental Review</i>	\$ 300
<i>Exempt administrative environmental</i>	\$ 50
<i>Information services</i>	\$ 50
<i>Project document preparation</i>	\$ 50
<i>Initial Property Inspection</i>	\$ 50
<i>Schedule of values</i>	\$100
Administrative Cost Only	
<i>Affirmative marketing plan</i>	\$ 50
<i>Financial management</i>	\$ 75
<i>Procurement of professional service provider</i>	\$ 300
<i>Recordkeeping</i>	\$ 75
Project Cost Only	
<i>Credit Report</i>	\$ 50
<i>Homebuyer Counseling</i>	\$ 300

Comment:

Commenter expresses concern that there was a lack of attention to soft costs related to barrier removal modification write-ups in the Owner-Occupied activity. (66)

Staff Response:

The proposed limitations include both an initial inspection of \$500 and a final inspection of \$200 for units requiring rehabilitation (and reconstruction). Staff review of historical disbursement requests for architectural barrier removal reveals invoices indicating a charge of \$550 for both the initial work write-up and final inspection. It is unclear why the commenter is concerned since the limitations proposed for this soft cost item allow a combined maximum of \$700. No change is proposed.

Comment:

Regarding the HOME Program Owner-Occupied activity, cities of comparable population and budget size were able to come up with required match and soft costs under the rules of the program in 2005, but may not be able to meet these requirements should match percentages and soft costs be adjusted as proposed. Commenter recommends restoring the program rules implemented in 2005. (68)

Staff Response:

While match requirements will be considered in future Notices of Funding Availability (NOFA's), the proposed rule does not include any match requirements. Therefore, as this comment relates to required match, staff has no response. As it relates to soft costs limitations, staff recommendations are being proposed in the rule to increase some of the project costs and the overall maximum percentage of hard costs.

Comment:

Commenter states the soft cost schedule as provided in Figure 10 TAC Chapter 53.85(a)(4) requires the individualizing of over twenty (20) soft costs, project costs, and administrative costs with a price point which places non-profit corporation seeking to administer OCC or HBA programs at a disadvantage to third-party providers of such services. Non-profit housing corporations seeking to administer OCC or HBA programs would be required to track time and effort of individual in-house personnel, benefits associated with time, as well as associated direct expenses for each item listed in Figure 10 TAC 53.85 (a)(4), while no such burden would be placed on third party consultants or other providers who simply provide a bill for services to the Contact Administrator. The rule should be amended to provide that non profit corporations that are also an administrative entity, only be required to track project related soft costs as a general category by project and that they individual line item tracking listed in Figure 10 TAC 53.85 (a)(4) to be reduced to "project specific soft costs". (67)

Staff Response:

Staff understands the commenter's request, however Contract Administrators that are performing these services in the administration of their Contract will also be subject to the line item caps but will be allowed to provide acceptable documentation to evidence that the costs are incurred by using a general soft cost category for the project that evidences conformance with the cost limitations. No change to the proposed rule is necessary.

Comment:

Commenter asks the Board to curb the effort to limit soft costs and administrative costs from their present levels. Soft costs and administrative costs should be left at 12% and 4% respectively. In addition, commenter asks the Board to consider putting soft cost and administrative costs limitation and cap information in the Implementation Manual instead of the rules. If left in the rules, commenter requests the addition of a statement clearly explaining that there are other costs allowable and not capped. We ask that the list and caps, if not eliminated, be changed to reflect a realistic and comprehensive list of tasks and costs associated with managing a HOME OCC contract. (56)

Staff Response:

Since the HOME Program Manual (Implementation Manual) is not a binding document, the Department believes the caps are properly located in the proposed rule. While the cost categories identified were based on a review of historical project soft cost and administrative draw requests, the Department may approve, solely at the Department’s discretion, cost categories and limitations not identified in the proposed rule. As it relates to soft costs limitations, staff recommendations are being proposed in the rule to increase some of the project costs and the overall maximum percentage of hard costs. Staff recommends the following change (highlighted below) to the proposed rule:

(1) *With the exception of Administrative Costs per Contract, ~~these costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or~~ relocation and cost categories and limitations not identified in the proposed rule.*

Comment:

Commenter raised issue with the cap for soft costs at 5% for manufactured housing. An example cited is in the situation when a manufactured housing unit averages about \$43,000. Five percent (5%) is \$2,200. Two appraisals and inspections can expend over \$2,200 without preconstruction activities. A recommendation would be to move it back to ten percent (10%), otherwise manufactured housing will be taken out of the housing arena because they are not going to pay for those soft costs. (61)

Staff Response:

Staff recognizes this issue, concurs and recommends a change to the proposed rule as follows:

Figure 10 TAC 53.85(c)

<i>Type of Activity</i>		<i>Max Percentage for soft costs based on Hard Costs or Project Costs</i>	<i>Max Percentage for administrative costs based on <u>Total</u> Project Costs</i>
	<i>Max Assistance</i>		
<i>OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)</i>	<i>\$ 60,000</i>	<i>16%</i>	<i>2%</i>
	<i>\$ 67,500</i>	<i>14%</i>	<i>2%</i>
	<i>\$ 75,000</i>	<i>12%</i>	<i>2%</i>
<i>OCC or HBA – Rehabilitation only</i>		<i>24%</i>	<i>2%</i>
<i>OCC – Reconstruct</i>	<i>Max Assistance</i>		

(replacement) with MHU	12%	2%
	10%	2%
	8%	2%
HBA – Acquisition only for contract for deed conversion	10%	4%
HBA – Downpayment and closing costs only	10%	4%

Comment:

Commenter requests clarification in the charts to delineate those costs which are contract based rather than project or activity based. (61)

Staff Response:

Staff recommends a clarification in the chart headers in *Figure 10 TAC §53.85(a)(4)* as follows further below. Staff also recommends the following change (highlighted below) to the proposed rule:

(a) *The Department has established cost guidelines and limitations for soft costs related to the OCC and HBA Program Activities.*

(1) *With the exception of Administrative Costs per Contract, these costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation and cost categories and limitations not identified in the proposed rule.*

Comment:

Commenter states that limiting the number of inspections to four (4) is a very poor management decision. There will be no way for the Administrator to verify the construction quality if they are limited to only four (4) inspections. Commenter asks if TDHCA will accept responsibility for items covered-up or incorrectly installed due to the lack of oversight that this policy dictates?

The dollar value associated with many of these activities is less than the cost of providing the service, for example, \$75.00 for recordkeeping; \$75.00 will not even pay for the amount of copying that is required for each project file. Nor will this cap cover the labor involved with obtaining documents, filing documents, submitting documents to TDHCA and other agencies as required; the same can be said for the construction documentation, information services, financial management, and the required initial work write-up that is sometimes needed to demonstrate that reconstruction is necessary.

Finally, the above table does not include a complete list of the processes and activities that go into implementing a HOME Owner-Occupied Program. The costs for surveys (multiple if in a floodplain), insurance (homeowner’s and flood), title commitment, title searches, document re-verification, monitoring, etc. are all left off of the above list. Considering the complexity of these projects, a comprehensive list is impractical to be included in the rules as this severely limits the ability for flexibility. We recommend the Department remove this list from the rules. The above can be part of the Implementation Manual, where items can be added as needed, as well as adjusted with market conditions. The additional costs associated with the loan program, implemented in the 2006 HOME Rules should be borne by TDHCA, not by the Administrators,

therefore, all items required for loan closing that were not previously required, should be paid for with additional soft cost funds.

The commenter provided a proposed table for Project Soft cost or Administrative costs that they believed to be much more in line with the reality of implementing the OCC HOME Program:

OCC	Reconstruction	Rehabilitation
Project or Administrative Cost		
Application intake and processing	\$ 500	\$ 500
Appraisal (limited to 2 at \$500 max each)	\$ 1,000	N/A
Appraisal services coordination and management	\$ 200	\$ 200
Surveying Services for Deferred Loan	\$ 1,000	\$ 1,000
Surveying Services coordination and management (Loan)	\$ 200	\$ 200
Surveying Services for Flood Insurance	\$ 500	\$ 500
Surveying Services coordination and management (Flood)	\$ 200	\$ 200
Homeowners Insurance	\$ 700	\$ 700
Homeowners Insurance coordination and management	\$ 200	\$ 200
Title Searches	\$ 200	\$ 200
Title Searches coordination and management	\$ 200	\$ 200
Loan Closing coordination and management	\$ 500	\$ 500
Document re-verification (income, taxes)	\$ 200	\$ 200
Preparation of Site Plans	\$ 300	\$ 300
Construction and disbursement documentation preparation	\$ 200	\$ 200
Environmental review	\$ 500	\$ 500
Exempt administrative environmental	\$ 100	\$ 100
Final inspection	\$ 300	\$ 300
Information services	\$ 300	\$ 300
Initial inspection	\$ 500	\$ 500
Procurement of contractor	\$ 300	\$ 300
Progress inspections	\$ 250	\$ 250
Pre-construction conference	\$ 300	\$ 300
Project document preparation	\$ 300	\$ 300
Punch list verification inspection	\$ 300	\$ 300
Schedule of values	\$ 100	\$ 100
Work write-up	\$ 500	\$ 300
Work write-up summary/cost estimate	\$ 400	\$ 400
Administrative Cost Only		
Affirmative marketing plan	\$ 100	\$ 100
Financial management	\$ 300	\$ 300
Procurement of professional service provider	\$ 30	\$ 30
Recordkeeping	\$ 300	\$ 300
Project Cost Only		
Plans (market value)	N/A	\$ 200
Plans and specification manual (market value)	\$ 1,500 ¹	N/A
Specification manual	N/A	\$ 200

(62)

Staff Response:

Other state Participating Jurisdictions allow typically 10-15% in soft costs and while they require loans, they do not have the typical expenses and legal requirements for loan closings as we do in Texas. For example, the appraisals add roughly \$1,000 and a survey can require another \$500 or more if the property has not been platted. The total project soft costs based on the caps is approximately 11% of the average hard cost of the unit. Once closing costs are included, the total project costs based on the caps is approximately 16% of the average hard cost of the unit. Since many of the soft costs can also be categorized as administrative costs, staff is recommending a reduction to the administrative costs percentage from 4% to 2% for any Rehabilitation or Reconstruction Projects or Activities (including replacement with a MHU). Additionally, staff recommends allowing the administrator to draw up to half of the total administrative costs percentage upon award of the contract for training, travel related to attend training and other expenses such as hiring a staff person to administer the program and/or procurement activities related to the obtaining a service provider. Staff is also recommending an increase in the *Construction and disbursement document preparation* category to allow for costs incurred in the coordination and management of requirements for the loan closing process such as title commitments, surveys, and appraisal.

Staff recommends that third-party closing costs have no cap imposed since they must be obtained at market value. Therefore, the appraisal limitation was removed from the chart. However, staff is recommending a change to the proposed rule that limits the overall maximum percentage for soft costs, which will allow and include closing costs.

(a) *The Department has established cost guidelines and limitations for soft costs related to the OCC and HBA Program Activities.*

(1) *With the exception of Administrative Costs per Contract, these costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation and cost categories and limitations not identified in the proposed rule.*

(2) *Contract Administrators must certify that the amount being disbursed is for the actual amount of costs.*

(3) *Costs that may be categorized as either a project cost or an administrative cost are identified below. No duplicate disbursement of costs is allowed. Costs may only be disbursed as either a project cost or administrative cost but not both. Additionally, costs may only be disbursed once per occurrence when providing both acquisition and construction type of assistance to the same Project or Activity as may take place with, but not limited to, contract for deed conversions.*

(4) *Unless otherwise noted, all items are limited to one (1) occurrence per Project or Activity.*

(5) *Third-party project costs related to loan closing requirements, such as appraisals, title insurance, tax certificates, and recording fees, are not subject to a maximum per Activity or Project. However, these costs are subject to the limitations of the maximum percentage of hard or project costs identified in subsection (c) of this section.*

“Figure 10 TAC §53.85(a)(4)”

<i>OCC and HBA with Rehabilitation</i>	<i>Reconstruction</i>	<i>Rehabilitation</i>
<i>Project or Administrative Cost per PROJECT</i>		
<i>Application intake and processing</i>	<i>\$ 3500</i>	<i>\$ 3500</i>
<i>Appraisal (limited to 2 at \$500 max each)</i>	<i>\$ 1,000</i>	<i>N/A</i>
<i>Construction and disbursement documentation preparation</i>	<i>\$ 50250</i>	<i>\$ 50250</i>

Environmental review	\$ 300 400	\$ 300 400
Exempt administrative environmental	\$ 50	\$ 50
Final inspection	\$ 200	\$ 200
Information services	\$ 50 100	\$ 50 100
Initial inspection	\$ 500	\$ 500
Procurement of contractor	\$ 300	\$ 300
Progress inspections (uplimited to 4 ¹ at \$ 150 200 max each, <u>minimum of 4 required</u>) ¹	\$ 800 1,050	\$ 1,050 800
Pre-construction conference	\$ 200	\$ 200
Project document preparation	\$ 50 100	\$ 50 100
Punch list verification inspection	\$ 200	\$ 200
Schedule of values	\$ 100	\$ 100
Work write-up	N/A	\$ 500
Work write-up summary/cost estimate	\$ 400	\$ 400
Administrative Cost Only <u>per CONTRACT</u>		
Affirmative marketing plan	\$ 50 100	\$ 50 100
Financial management	\$ 75 150	\$ 75 150
Procurement of professional service provider	\$ 300 200	\$ 300 200
Recordkeeping	\$ 75 400	\$ 75 400
Project Cost Only <u>per PROJECT</u>		
Plans (market value)	N/A	\$ 200
Plans and specification manual (market value)	\$ 1,500 ² 500 ²	N/A
Specification manual	N/A	\$ 200

¹ A maximum of two (2) progress inspections are allowed when a housing unit is replaced with a MHU.

² Plans and specifications are not an allowable cost when a housing unit is replaced with a MHU.

HBA	
Project or Administrative Cost <u>per PROJECT</u>	
Application intake and processing	\$ 500 350
Preparation of loan documents	\$100
Environmental Review	\$ 400 300
Exempt administrative environmental	\$50
Information services	\$ 100 50
Project document preparation	\$ 100 50
Property Inspection	\$ 350
Schedule of values	\$100
Administrative Cost Only <u>per CONTRACT</u>	
Affirmative marketing plan	\$ 100 50
Financial management	\$ 150 75
Procurement of professional service provider	\$ 200 300
Recordkeeping	\$ 400 75
Project Cost Only <u>per PROJECT</u>	
Credit Report	\$50

§53.85 (b)(1) Soft Cost Limitations

Commenter states that in rural communities, effective affirmative marketing can be a challenging, time consuming project. There are often limited media outlets, requiring a more “hands-on” approach than in a larger market. The additional costs associated with these challenges should be considered when capping fees. Commenter recommends an increase to \$100. (62)

Staff Response:

Staff concurs and has increased this cap to \$100 per Contract.

§53.85 (2) Soft Cost Limitations

Commenter states that in rural communities, it is often difficult to obtain documentation, requiring multiple trips to the courthouse and/or social security administration, both of which may be many miles away from the Administrators location. Often multiple trips are required to obtain an adequate number of qualified applicants; particularly with the new deferred forgivable loan and with new partially repayable and repayable loans, the application intake effort will only become more burdensome. Furthermore, the fees do not take into account that many more applicants are reviewed than are actually eligible and this situation will be magnified with all the new conditions. Commenter recommends an increase to the cap on this line item to \$500. (62)

Staff Response:

Staff concurs with this request and has increased this cap to \$500, as recommended by commenter.

§53.85 (3) Soft Cost Limitations

Commenter states that in rural communities, identifying appraisers willing to do this sort of work is a challenge, obtaining bids, and coordinating this service is time consuming and costly. The additional costs associated with these challenges should be considered when capping fees. (62)

Staff Response:

A direct price quote method is typically what is required to procure an appraiser. Staff agrees in part with this request and is recommending an increase in the *Construction and disbursement document preparation* category to allow for costs incurred in the coordination and management of requirements for the loan closing process such as title commitments, surveys, and appraisal.

Comment on §53.85 (4) Soft Cost Limitations

Commenter states most of the disbursement forms are not included in the above reference. Disbursement documentation is voluminous, raising both the cost of construction and the cost of implementation. None of this even takes into account the amount of time online input, approval

process, and distribution to TDHCA takes. Commenter recommends an increase to the cap on this line item to \$200. (62)

Staff Response:

Staff agrees in part with this request and has recommended an increase to this item to \$250.

§53.85 (5) Soft Cost Limitations

Commenter states a member of the TDHCA monitoring staff has recently said that they are going to change the way they monitor the environmental files. Apparently all files will have to be put in a different order from what was previously described in the HOME Implementation manual (and had been previously accepted by TDHCA monitoring staff). Unfortunately, this is not an unusual occurrence; the Department should recognize that it costs time and money to rearrange documents in a file. The additional costs associated with these challenges should be considered when capping fees. We recommend the Department increase the cap on this line item to more accurately reflect the cost incurred when conducting the environmental clearances and documentation of said clearances: \$500 for project clearance and \$100 for exempt administrative. (62)

Staff Response:

Staff agrees in part with this request and has recommended an increase to this item to \$400. However, exempt administrative is only one form that must be completed and staff has not recommended an increase to the item. The \$400 cap is also in-line with draw documentation submitted in the past and the average number of required hours to complete on an average project.

§53.85(7) Soft Cost Limitations

Commenter states final inspections are very time consuming as they involve the inspector, the Administrator, the contractor and the Homeowner. It is during the final inspection that the homeowner is given detailed instruction on how to operate and maintain each piece of equipment in the home (HVAC, Water Heater, Filters, Drain Lines, Range, Refrigerator, Attic Access, GFCI, etc.). It is also at this time that the warranty process is gone over in detail; any questions regarding construction are addressed, the punch list is signed-off on, draws are approved, and pictures are taken by happy family members. It is not a time to rush and, as such, the costs associated with doing a proper final walk-through should be considered when capping fees. Our recommendation is to increase the cap on this line item to reflect the importance of the final walk through and the amount of time it takes to do in a proper manner (62)

Staff Response:

Due to the total number of inspections allowed throughout construction, staff believes this limitation is adequate and does not recommend a change to the proposed rule.

§53.85 (8) Soft Cost Limitations

Commenter states the records required for financial management are much greater than a “journal of all transactions”. Proper Financial Management will result in a timely request for payments, disbursements, and a clean Single Audit. We would recommend the paperwork required by the HOME Program for a single draw is voluminous. The costs associated with

doing proper financial management (not just keeping a journal) should be considered when capping fees . (62)

Staff Response:

Staff agrees in part with this request and has increased this cap to \$150 per Contract.

§53.85(10) Soft Cost Limitations

Commenter states Administrators have heard repeatedly from the TDHCA Board that we need to be doing more education of the consumers/beneficiaries of the HOME Program. Education is expensive/it is time consuming, printed materials are expensive to produce and update on a regular basis, and the instruction given to each applicant must be tailored to their knowledge and experiences. All of this requires knowing your consumer, spending time with them, providing them with understandable materials, and a commitment to foster a learning environment; none of which is cheap. The recommendation is to increase the cap on this line item. The costs associated with doing information services, and providing the education requested by the Board, should be considered when determining fees (62)

Staff Response:

Staff agrees in part with this request and has increased this cap to \$100.

Comment on §53.85(13) Soft Cost Limitations

Commenter states the pre-construction conference is very important to a successful program. Placing such a low dollar value on this meeting sends the message that TDHCA believes it can be done quickly with little discussion We recommend an increase to the cap on this line item to reflect the amount of time and preparation that a successful pre-construction conference requires. (62)

Staff Response:

Staff believes this limitation of \$200 is adequate and does not recommend a change to the proposed rule.

Comment on §53.85(14) Soft Cost Limitations

Commenter states that this is a lot of work for not much money: mail outs, paying for advertisements, verification of certifications, conducting the walk-through, vetting the builder, conducting a bid opening and tabulating bids, plus *any/all* Department required forms. In rural communities, identifying qualified contractors who are willing to do “government” work can be difficult at best. Often multi-county searches are required to obtain more than a single bid. The additional costs with these challenges should be considered when capping fees. Our recommendation is to increase the cap on this line item to better serve rural communities. (62)

Staff Response:

Staff believes this limitation of \$300 is adequate and does not recommend a change to the proposed rule.

§53.85 (16) Soft Cost Limitations

Commenter states logic would dictate that the more inspections that are done during the construction process, the better quality product you will get. Things get covered up quickly on a construction site and if the Department is limiting the Administrator to only four (4) inspections, quality will suffer. Additionally, item (A) Foundation is two inspections. Pre-pour and post curing are either two inspections or a single inspection that takes at a minimum 8-12 hours to conduct (more probably would require spending the night at the site). Additionally, commenter cites previous TDHCA and HUD publications indicating the need for a great deal more inspections than the four (4) listed in Figure 10 TAC §53.85(a)(4). Additional resources are included in the written public comment.

Commenter suggests the following milestone inspections should be performed by a rehabilitation/reconstruction inspector (in addition to unscheduled “drop-in”: inspections):

1. Slab – pre-pour
2. Slab – post-pour
3. Framing
4. Roof Decking
5. Roof Felt
6. Shingle Installation
7. Plumbing – rough
8. Plumbing – top-off
9. Electrical – rough
10. Electrical – top off
11. Sheet rock hang
12. Sheet rock tape, float, and texture
13. Painting – interior
14. Exterior siding

The proposed amount of inspection limitations will only result in poor quality and higher maintenance costs for the homeowners that we are trying to assist. Having the homeowner and Contract Administrator sign each inspection is simply an exercise in bureaucracy and shows a lack of understanding about construction and how the Program is implemented in the field. Often homeowners move out of town during the construction phase, living with children in other towns or states. Inspections are routinely conducted in the evenings and over the weekend, contractors do not follow City Hall hours; waiting until normal business hours for an inspection will cause further delays in the process. Our recommendation is to allow for as many inspections as deemed necessary by the Administrator to ensure a high quality product and increase the amount allowed, recognizing the effects of inflation and much higher travel costs since the original cap was put into place. This cap has remained unchanged over the years. (62)

Staff Response:

Staff agrees in part with the comment and has recommended adjusting the number of allowable inspections to 7, with a minimum of 3 required. However, staff recommends decreasing the line item cap since the inspections are limited to one particular construction activity and some inspections can be combined with others. Additionally, the Department encourages the Contract Administrator, who is now the responsible contractor, to perform these inspections and

potentially incur cost savings since the housing units to be inspected are in closer proximity to the Contract Administrator. Furthermore, when considering the initial inspection, the final inspection and the punch list verification inspection, there are a total of 10 inspections allowed. The Contract Administrator is encouraged to drop-in to perform inspections at any time based on their own level of risk assessment. While there may be some delay in having the homeowner sign forms, it will be more than offset by insuring that the homes are being constructed and that the homeowner is aware of the process as it is ongoing.

Additionally, staff recommends an administrative change to allow only two progress inspections in the case of a MHU replacement since the housing unit is not being constructed on-site.

§53.85(17) Soft Cost Limitations

Commenter states that not all inspections will need sketches. On many inspections, photos should suffice. (62)

Staff Response:

Staff agrees and recommends changing to:

(17) Progress inspections should each require at least one hour and include inspection forms, filed notes, sketches, ~~and~~ and/or photographs adequate for verification of that stage of completion.

§53.85(18) Soft Cost Limitations

Commenter states project documentation is voluminous and proposes that each home will have at least 2” of paper that is not related to construction or income eligibility. Commenter believes that listing only a few documents is misleading and appears to be an attempt to justify the \$50.00 cap for Project Documentation. All of the paperwork contained in each project file is required by TDHCA (many items contain duplicate information or do not apply but must be completed and filed). With each change implemented by the Department, the number of documents grows exponentially. It is not unusual for the Department to come out with a new form and for monitors to require the Administrator to retroactively use this form (often meaning that the same information must be captured twice so that it can be transferred from the old to the new form). We have even seen this requirement when no more than the date on the bottom of the form, or formatting changed. The \$50.00 cap will not cover the cost of copying the documentation, much less the cost of document preparation. We recommend to increase the cap on this line item to adequately cover the reality of the work involved in preparing and filing the documentation. (62)

Staff Response:

Staff agrees in part with this comment and recommends increasing the item to \$100.

§53.85 (20) Soft Cost Limitations

Commenter states the punch list verification inspections may have to be performed multiple times. If the Department will not allow for multiple inspections it will be difficult to show the work has been completed. If not, the Department will have to assume responsibility for unsatisfactory work. Our recommendation is to allow the Administrators to conduct as many follow-up inspections as necessary to ensure that all punch list work has been completed

properly and increase the line item amount for the initial punch list inspection, to more adequately reflect the amount of time that it takes to compile a complete/detailed punch list . (62)

Staff Response:

Staff does not recommend a change to the proposed rule. If more than one punch list verification inspection is required, the Contract Administrator should hold the Contractor liable for the cost incurred with multiple inspections as routinely occurs in the industry.

§53.85 (21) Soft Cost Limitations

Administrators are required to maintain and adapt to ever-changing Department requirements (order of documents, new forms, tab each item, individual staff requirements, etc.). The amount of paper required for each project is massive. In the past, with the continual changes made by the Department’s compliance division, Administrators have been required to re-order and update files months after projects have been completed. Additionally, certain monitors have their own unwritten requirements; different order for the environmental documents, each item on their checklist must have a numbered tab in the file so they do not have to look through the whole file (of course, if a checklist changes, the files for this monitor must be re-tabbed), etc. All of these evolving requirements are costly and labor-intensive. The \$75.00 cap for Recordkeeping does not even cover the cost of copying program and environmental files. Our recommendation is to increase the cap on this line item.

Staff Response:

Staff agrees in part with this comment and recommends increasing the item to \$400 per Contract.

§53.85 (23) Soft Cost Limitations

Commenter asks if you can imagine ordering an MHU without any specifications? Specifications should be required for Manufactured Housing Units (MHU) and, therefore, an allowable cost.

Staff Response:

Staff agrees in part with commenter regarding the necessity of specifications for a MHU. However, staff suggests that only condensed specifications are needed and should be included as part of the bid package for the contractor. Allowing the market value cost associated with a complete specification manual, as in the case of a site-built housing unit, appears to exceed cost reasonableness.

§53.85 “Figure 10 TAC §53.85(c)”

Language in Draft Rule:

Type of Activity		Max Percentage for soft costs based on Hard Costs or Project Costs
	Max Assistance	

OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	\$ 60,000	10%
	\$ 67,500	9%
	\$ 75,000	8%
OCC or HBA – Rehabilitation only		18%
OCC – Reconstruct (replacement) with MHU		5%

Comment:

Commenter states that reducing the amount of soft cost available for reconstruct, while increasing the difficulty of the program is a non sequitur. The soft costs percentage should be increased to 14%. As an alternative to increasing the soft cost, the administrative costs should be increased from 4% to 6%. This would put the Texas HOME Program more in line with other state programs.

In 2001 TDHCA reduced soft costs from 12% of the total contract amount to 12% of construction costs (this change resulted in approximately a 10% reduction in the allowable dollar amount of soft costs paid). Since that time, the HOME Program has become much more difficult to implement, the amount of paperwork associated with the Program and has increased geometrically, and the costs of doing business (materials and labor) have risen. Despite all of this, the Department is recommending reducing soft costs to a level that will make the program unfeasible, and maybe impossible, to successfully implement. Our recommendation is the following:

Current Soft Cost Fees

Type of Activity	Max Percentage for Soft costs based on 12% Hard Costs or Project Costs	
	Max Assistance	
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	\$ 60,000	\$ 6,429
	\$ 67,500	\$ 7,232
	\$ 75,000	\$ 8,036
OCC or HBA – Rehabilitation only	\$ 30,000	\$ 3,214
OCC – Reconstruct (replacement) with MHU	\$ 60,000	\$ 6,429

TDHCA Proposed Soft Cost Fees

		B	C	D	E	F
Type of Activity	TDHCA Proposed Maximum Assistance	TDHCA Proposed Soft Cost Percent Limits	TDHCA Proposed Maximum Soft Cost Fees	Changes in Soft Cost Fees Column C Less Current Fees (Column A above)	Est. Minimum Added Soft Cost for Deferred Forgivable Loans	TDHCA Proposed Soft Costs Available for Management Services, Column C Less Column E
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	\$60,000	10%	\$5,455	-\$974	\$2,500	\$2,955
	\$67,500	9%	\$5,573	-\$1,659	\$2,500	\$3,073
	\$75,000	8%	\$5,556	-\$2,480	\$2,500	\$3,056
OCC or HBA – Rehabilitation only	\$30,000	18%	\$4,576	\$1,362	\$2,500	\$2,076
OCC – Reconstruct (replacement) with MHU	\$60,000	5%	\$2,857	-\$3,572	\$2,500	\$357

Column D shows that the proposed rules would reduce soft cost fees for the various activities with the exception of OCC Rehabilitation only. The problem with “OCC Rehabilitation only” is the complete lack of understanding that it is practically impossible to find owner occupied households living in housing that can be rehabilitated to meet minimum standards for \$30,000 of hard and soft costs. The ongoing costs of operation and maintenance of their homes are beyond their means. This is especially true for the very-low income households that Rider 5 targets.

Column E shows the estimated cost for additional services as clearly stated in the HOME Advisory Task Force Report. It appears these costs have been completely ignored as having any impact on the ability of surveys, appraisals title commitments, homeowner insurance, flood

insurance (If needed and not included in the \$2,500 figure), title insurance, and the efforts to coordinate all these activities.

Column F shows the amount of soft cost funds available to Contract Administrators to manage, coordinate and implement the OCC program. When compared to Column A in the “Current Soft Cost Fees” table, there is a significant negative impact on the amount of soft costs funds available to implement this Program. This is neither reasonable nor feasible considering all the additional requirements for implementing the forgivable loan form of assistance.

Recommend Soft Cost Fees

Type of Activity	TDHCA Proposed Maximum Assistance	Recommended Percent Soft Costs	Recommended Soft Cost Fees	Amount of Recommend After Deducting Added Soft Costs (\$2500) for Deferred Forgivable Loan
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	\$60,000	17.50%	\$8,936	\$6,436
	\$67,500	15.25%	\$8,932	\$6,432
	\$75,000	13.50%	\$8,920	\$6,420
OCC or HBA – Rehabilitation only	\$30,000	40.00%	\$8,571	\$6,071
OCC – Reconstruct (replacement) with MHU	\$60,000	15.00%	\$7,826	\$5,326

The higher percentages for soft costs are necessary for each of these activities since the amount of paperwork remains the same to meet the newly imposed requirements for the deferred forgivable loan program. These fees would provide some hope that the OCC Program could continue to be implemented.

Staff Response:

Staff has reviewed and analyzed all of the public comment received as it relates to soft costs limitations and recommends the following changes to the proposed rule:

Figure 10 TAC 53.85(c)

Type of Activity		Max Percentage for soft costs based on Hard Costs or Project Costs	Max Percentage for administrative costs based on <u>Total</u> Project Costs
	Max Assistance		
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	<u>\$ 60,000</u>	<u>16%</u>	<u>2%</u>
	<u>\$ 67,500</u>	<u>14%</u>	<u>2%</u>
	<u>\$ 75,000</u>	<u>12%</u>	<u>2%</u>
OCC or HBA – Rehabilitation only		<u>24%</u>	<u>2%</u>
OCC – Reconstruct (replacement) with MHU	Max Assistance		
	<u>\$ 60,000</u>	<u>12%</u>	<u>2%</u>
	<u>\$ 67,500</u>	<u>10%</u>	<u>2%</u>
	<u>\$ 75,000</u>	<u>8%</u>	<u>2%</u>
HBA – Acquisition only for contract for deed conversion		10%	<u>4%</u>
HBA – Downpayment and closing costs only		10%	<u>4%</u>

Commenter Key

# Assigned	COMMENTER (INCLUDES Public Hearing Testimony, Emails, & letters received; DOES NOT INCLUDE Staff Comments)	Rule
56	Langford Community Management Svcs, Judy Langford; Robin Sisco	HOME
60	Advocacy Incorporated, Sarah Mills	HOME
61	Hunter & Hunter Consultants, Michael Hunter	HOME
62	Grantworks, Tres Davis	HOME
64	Texas Association of Community Development Corporations (TACDC); Steven Carriker, Matt Hull	HOME
65	ADAPT, Stephanie Thomas	HOME
67	CDC Brownsville, Don Currie	HOME
68	City of Corrigan, Mandy Risinger	HOME
69	HOME Taskforce	HOME
69a	Advocacy, Inc., Policy Specialist, Sarah Mills	HOME
69aa	City of Littlefield, City Manager, Danny Davis	HOME
69b	Advocates for Human Potential, Ann Denton	HOME
69bb	City of Odem, City Secretary, Billy Jo Tennill	HOME
69c	Amazing Grants, Inc., Mary Kay Thomas	HOME
69cc	City of Plains, City Secretary, Pamela K. Rowe	HOME
69d	Ameriway Construction Co., Jerry Reiner	HOME
69dd	City of Santa Fe, City Manager, Joe Dickson	HOME
69e	ARCIT Board President and City Manager of Hughes Springs, George Fite	HOME
69ee	City of Sinton, City Manager, Jackie Knox	HOME
69f	City of Amherst, City Secretary, Gayla Cowan	HOME
69ff	City of Stanton, City Administrator, Danny Fryar	HOME
69g	City of Aransas Pass, City Secretary, Ada Owens	HOME
69gg	City of Trinity, City Manager, Phillip Pachett	HOME
69h	City of Bay City, Mayor, Richard Knapik	HOME
69hh	City of Wallis, Mayor, Tony Salizar, Jr.	HOME
69i	City of Belton, City Manager, Sam Listi	HOME
69ii	City of West Tawakoni, City Administrator, Cloy Richards	HOME
69j	City of Blooming Grove, City Secretary, Beth Nemeth	HOME
69jj	Crane County, Grant Coordinator, Debbie Martin	HOME
69k	City of Bowie, City Secretary, Mitzi Wallace	HOME
69kk	GrantWorks, Tres Davis and Bruce Spintzengel	HOME
69l	City of Bronte, City Secretary, Pat Martindale	HOME
69ll	Hudspeth County Judge Becky Dean-Walker	HOME
69m	City of Caddo Mills, City Clerk, Jackie Russell	HOME
69mm	Hudspeth County, County Administrator, Abigail Ortega	HOME
69n	City of Coahoma, Mayor, Bill Read	HOME
69nn	James W. Turner Construction	HOME

69o	City of Dell City, City Administrator, Juanita Collier	HOME
69oo	Jim Wells County Judge, Arnold Saenz	HOME
69p	City of Eagle Lake, City Secretary, Sylvia Rucka	HOME
69pp	Kerbow & Associates, Mirenda White-Harris	HOME
69q	City of Eustace, City Secretary, Drucilla Haynes	HOME
69qq	Langford Community Management, Judy Langford, Robin Sisco	HOME
69r	City of Forsan, Mayor Roger Hudgins	HOME
69rr	Lucas Consulting, Chuck Lucas	HOME
69s	City of Freer, City Administrator, Cynthia Lackey	HOME
69ss	Presidio County Judge, Jerry C. Agan	HOME
69t	City of Garrett, City Secretary, Julie Featherston	HOME
69tt	United Cerebral Palsy (UCP), Jean Langendorf	HOME
69u	City of George West, City Manager, Benjamin Tanguma	HOME
69v	City of Hawley, Mayor, Ronnie Woodard	HOME
69w	City of Henrietta, City Secretary, Carol Loucks	HOME
69x	City of Hitchcock, City Secretary, Rose Marie Theiler	HOME
69y	City of Ingleside, Code Enforcement Officer, Carey Dietrich	HOME
69z	City of Josephine, City Secretary, Patti Farr	HOME
66	UCP of Texas, Jean Langendorf	HOME, 60B

TITLE 10. COMMUNITY DEVELOPMENT

Part 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Chapter 53. HOME PROGRAM RULE

Subchapter A. GENERAL

§53.1.Purpose.

This Chapter clarifies the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (Department) by the United States Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 USC §§12701-12839) and HUD regulations at 24 CFR, Part 92. The State's HOME Program is designed to:

- (1) focus on the areas with the greatest housing need described in the State Consolidated Plan;
- (2) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, tenant-based rental assistance, and pre-development loans;
- (3) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and
- (4) provide low, very low, and extremely low income families with affordable, decent, safe and sanitary housing.

§53.2.Definitions.

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

- (1) Act--HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act as amended, at 42 USC §§12701, et seq.
- (2) Activity--A single housing unit with a unique physical address. An activity may also refer to an individual Project or site.
- (3) Administrative Deficiencies--The absence of information or a document from the application as required in this Chapter or applicable NOFA.
- (4) Administrator--The Person responsible for performing under a Contract with the Department.
- (5) Affiliate--An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with an ownership interest.
- (6) Affiliated Party--A person in a relationship with the Administrator on a Contract with the Department.

- (7) Annual Income--As defined in 24 CFR §92.203.
- (8) Applicant--A Person who has submitted to the Department an Application for Department funds or other assistance.
- (9) Application--A request for funds submitted to the Department in a form prescribed by the Department, including any exhibits or other supporting material.
- (10) Application Acceptance Period--The period of time that Applications may be submitted to the Department as more fully described in the applicable NOFA.
- (11) Application Submission Procedures Manual (ASPM)--The manual that sets forth the procedures, forms, and instructions for the completion and submission of an Application to the Department.
- (12) Area Median Family Income (AMFI)--The income estimated and determined by HUD as the median family income with adjustments for family size and geographic locations.
- (13) Articles of Incorporation--The document that sets forth the basic terms for a corporation's existence and is the official recognition of the corporation's existence.
- (14) Board--The governing board of the Texas Department of Housing and Community Affairs.
- (15) Business Plan--The written document that for the purposes of CHDO certification outlines the CHDO's plan for developing eligible housing activities, its internal operations, and citizen participation process.
- (16) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the Articles of Incorporation. Bylaws and amendments to Bylaws must be formally adopted in the manner prescribed by the organization's Articles of Incorporation or current Bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend Bylaws.
- (17) CFR--Code of Federal Regulations.
- (18) Chapter 2306--The enabling statute for the Department found in the Texas Government Code.
- (19) CHDO Service Area--A Community in which a CHDO owns, developed and/or sponsored CHDO eligible housing activities for the low income residents of the city/place or county they serve.
- (20) Colonia--A geographic area that is located in a county some part of which is within 150 miles of the international border of this state that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and that:
- (A) Has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Texas Water Code; or

(B) Has the physical and economic characteristics of a Colonia, as determined by the department.

(21) Colonia Housing Standards--The Department's HUD approved housing standards that allow Colonia residents the opportunity to rehabilitate their homes when located in a designated Colonia.

(22) Community--Urban areas means one or several Neighborhoods, a city, a county, or a metropolitan area and for Rural Areas means one or several Neighborhoods, a town, a village, a county or multi-county area, but not the whole state. For purposes of this Chapter, the Applicant should clearly define the area. For example, the city of Dallas would not include all of Dallas and Collin counties but Dallas and Collin counties would include the city of Dallas.

(23) Community Housing Development Organization (CHDO)--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 in accordance with 24 CFR §92.2 and which is certified as such by the Department. To be certified as a CHDO by the Department, the organization must act in the capacity of Developer, Owner or Sponsor as defined in this chapter.

(24) Community Housing Development Organization (CHDO) Developer--The CHDO:

(A) Either owns a Property and develops a Project, or has a contractual obligation to a property owner to develop a Project; and

(B) Performs all the functions typically expected of for-profit Developers, and assumes all the risks and rewards associated with being the Project Developer.

(i) For RHD, the CHDO must obtain financing, and Rehabilitate, Reconstruct or construct the Project. If it owns the Property, the CHDO may maintain ownership and manage the Project over the long term. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(ii) For HBA, the CHDO must obtain Project financing, Rehabilitate, Reconstruct or construct the dwelling(s), and have title of the property and the HOME loan/grant obligations transferred to a HOME-qualified homebuyer within a specified timeframe. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(25) Community Housing Development Organization (CHDO) Owner--The CHDO holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a rental Property. The CHDO may be a Development Owner with one or more Persons. If it owns the Project in partnership, it or its wholly-owned nonprofit or for-profit subsidiary must be the managing General Partner with effective control (i.e., decision-making authority) of the Project. The CHDO may be both Development Owner and Developer, or may have another entity as the Developer.

(26) Community Housing Development Organization (CHDO) Sponsor--The CHDO:

(A) For RHD, the CHDO may develop a Project that it solely or partially owns and agrees to convey ownership to a second non-profit organization at a predetermined time prior to or during

Development or upon completion of the Development of the Project. The HOME funds are invested in the Project owned by the CHDO. The CHDO Sponsor selects prior to commitment of HOME funds the non-profit organization that will obtain ownership of the Property. The non-profit assumes from the CHDO the HOME obligation (including any repayment of loans) for the Project at a specified time. If the Property is not transferred to the non-profit organization, the CHDO Sponsor remains liable for the HOME loan/grant obligation. The non-profit organization must be financially and legally separate from the CHDO Sponsor. The CHDO Sponsor must provide sufficient resources to the non-profit organization to ensure the Development and long-term operation of the Project.

(B) For HBA, the CHDO owns a Property, then shifts responsibility for the Project to another nonprofit at some specified time in the Development process. The second nonprofit, in turn, transfers title along with the HOME loan/grant obligations and recapture requirements to an Income Eligible Household within a specified timeframe. The HOME funds are invested in the Property owned by the CHDO. The other nonprofit being sponsored by the CHDO acquires the completed units, or brings to completion the Rehabilitation or construction of the Property. At completion of the Rehabilitation or construction, the second nonprofit is required to sell the Property along with the HOME loan/grant obligations to an Income Eligible Household.

(C) For either type of sponsorship, the CHDO must own the Property prior to the development phase of the project.

(27) Community Housing Development Organization Pre-Development Loan--A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR §92.301.

(28) Competitive Application Cycle--A defined period of time that Applications may be submitted according to a published Notice of Funding Availability (NOFA) that will include a submission deadline and selection or scoring criteria. Applications will be reviewed in accordance with the rules for application review published in the NOFA and the ASPM.

(29) Conflict of Interest--A conflict between the private interests and the official responsibilities of a Person in a position of trust, as specified in 24 CFR §92.356.

(30) Consolidated Plan--The State Consolidated Plan prepared in accordance with 24 CFR, Part 91, which describes the needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs and is subject to approval annually by HUD.

(31) Contract--The executed written agreement between the Department and an Administrator or Development Owner performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.

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

(33) Deobligated Funds--The funds released by an Administrator or Development Owner or recovered by the Department canceling a Contract or award involving some or all of a contractual financial obligation between the Department and an Administrator or Development Owner.

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

(35) Developer--Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such services and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(36) Development--A Project that has a construction component, either in the form of New Construction or Rehabilitation of multi-unit or single family residential housing.

(37) Development funding--

(A) A loan or grant; or

(B) An in-kind contribution, including a donation of real Property, a fee waiver for a building permit or for water or sewer service, or a similar contribution that:

(i) provides an economic benefit; and

(ii) results in a quantifiable cost reduction for the applicable Development.

(38) Development Owner--Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract approved by the Department and is the Person responsible for performing under the Contract with the Department.

(39) Development Site--The area, or if scattered site, areas, for which the Development is proposed to be located and is to be under the Development Owner's Control.

(40) Executive Award and Review Advisory Committee (EARAC)--The Department committee that will develop funding priorities and make funding and allocation recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities.

(41) Expenditure--An approved expense evidenced by documentation submitted by the Administrator or Development Owner to the Department for purposes of drawing funds from HUD's IDIS for work completed, inspected and certified as complete, and as otherwise required by the Department.

(42) Family--Includes but is not limited to the following types of families as defined in 24 CFR §5.403:

(A) A family with or without children;

(B) An elderly family;

- (C) A near elderly family;
 - (D) A disabled family;
 - (E) A displaced family;
 - (F) The remaining member of a tenant family; or
 - (G) A single person who is not an elderly or displaced person or a person with disabilities or the remaining member of a tenant family.
- (43) Feasibility Analysis--The process of performing a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit for the purposes of OCC.
- (44) FHA 203(b) Mortgage Limits ("§203(b) Limits")--The mortgage limits established under §203(b) of the National Housing Act (12 USC §1709(b) which may be obtained from the HUD Field Office.
- (45) Final Rule--The current final rule as published by HUD as 24 CFR, Part 92 with amendments.
- (46) General Contractor--A Person who contracts for the construction or Rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors.
- (47) General Partner--A Person or Persons who is identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.
- (48) Grant--Financial assistance that is awarded in the form of money to a housing sponsor for a specific purpose and that is not required to be repaid. For purposes of this Chapter, a grant includes a forgivable loan.
- (49) Homebuyer Assistance Program (HBA)--A Program Activity for the purpose of providing HOME funds for acquisition, acquisition with Rehabilitation, down payment, closing costs, and gap financing assistance provided to Income Eligible Households. Rehabilitation may be combined with HBA to provide contract for deed conversions and assist Person with Disabilities.
- (50) HOME--The HOME Investment Partnerships Program at 42 USC §§12701-12839 and the regulations promulgated thereafter at 24 CFR, Part 92.
- (51) Household--One or more persons occupying a housing unit (24 CFR §92.2).
- (52) HUD--The United States Department of Housing and Urban Development, or its successor.

(53) HUD's Maximum Per-unit Subsidy Amount ("221(d)(3) limits")--The per-unit dollar limitations established under §221(d)(3)(ii) of the National Housing Act for elevator-type projects that apply to the area in which the housing is located.

(54) IDIS--The electronic grants management information system named the Integrated Disbursement and Information System established by HUD to be used tracking and reporting HOME funding progress.

(55) Income Eligible Households--The federal definition which is:

(A) Low-Income Households--Households whose Annual Incomes do not exceed 80% of the AMFI.

(B) Very Low-Income Households--Households whose Annual Incomes do not exceed 50% of the AMFI.

(C) Extremely Low Income Households--Households whose Annual Incomes do not exceed 30% of the AMFI.

(56) Intergenerational Housing--Housing that includes specific units that are restricted to the age requirements of a Qualified Elderly Development and specific units that are not age restricted in the same Development that:

(A) Have separate and specific buildings exclusively for the age restricted units;

(B) Have separate and specific leasing offices and leasing personnel exclusively for the age restricted units;

(C) Have separate and specific entrances, and other appropriate security measures for the age restricted units;

(D) Provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group;

(E) Share the same Development site;

(F) Are developed and financed under a common plan and owned by the same Person for federal tax purposes; and

(G) Meet the requirements of the federal Fair Housing Act.

(57) Land Use Restriction Agreement (LURA)--An agreement between the Department and a Person related to a specific Property or Properties which is binding upon a Person's successors in interest, filed with the responsible recording authority, and encumbers the Property with respect to requirements in this Chapter, Chapter 2306 of the Texas Government Code and the Final Rule.

(58) Loan--Financial assistance that is awarded in the form of money and an executed written agreement between the Department and Person for a specific purpose and that is required to be repaid.

(59) Manufactured Housing Unit (MHU)--As defined by HUD is a structure transportable in one or more sections which, in traveling mode, is 8 body-feet or more in width or 40 body-feet or more in length, or when erected on site, is 320 square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required facilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

(60) Match--Eligible forms of non-federal contributions to a Program Activity or Project in the forms specified in 24 CFR §92.220, CPD Notice 97-03 and the Department's Match Guide.

(61) Material Noncompliance--as is defined in 10 TAC, Chapter 60, Subchapter A of this title.

(62) Modular Housing--As defined by HUD is a home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

(63) Mortgagor--The Person who borrows money and uses his or her real property as collateral and security for the payment of the debt.

(64) Neighborhood--As defined by HUD, a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a Unit of General Local Government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a Unit of General Local Government (24 CFR §92.2).

(65) New Construction--Any Development not meeting the definition of Rehabilitation.

(66) NOFA--Notice of Funding Availability, published in the *Texas Register*.

(67) Nonprofit organization--A public or private organization that:

(A) Is organized under state or local laws;

(B) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;

(C) Has a current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application to the IRS for exemption status under §§501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

(68) Open Application Cycle--A defined period of time during which Applications may be submitted according to a published NOFA and which will be reviewed on a first-come, first-served basis until all funds available are committed, or until the NOFA is closed.

(69) Owner-Occupied Housing Assistance (OCC)--A Program Activity for the purpose of providing HOME funds for the Rehabilitation of existing owner-occupied housing for Income Eligible Households. Housing assistance for disaster relief is provided under this Program Activity.

(70) Participating Jurisdiction (PJ)--Any state or Unit of General Local Government, including consortia as specified in 24 CFR §92.101, designated by HUD in accordance with 24 CFR §92.105.

(71) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(72) Persons with Disabilities--A Household composed of one or more Persons, at least one of whom is a Person ~~an adult~~, who has a disability that is a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of such a nature that such ability could be improved by more suitable housing conditions. A Person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability and as further defined at 24 CFR §92.2.

(73) Persons with Special Needs--Individuals or categories of individuals determined by the Department to have unmet housing needs consistent with 42 USC §§12701, et seq. and as provided in the Consolidated Plan and may include any households composed of one or more persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations and migrant farm workers.

(74) Predevelopment Costs--Costs related to a specific eligible Project including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees;

(C) Predevelopment costs do not include general operational or administrative costs.

(75) Principal--A Person, or Persons, that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, special limited partners and Principals with ownership interest;

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

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

(76) Principal Residence--The primary housing unit a Person or Household inhabits.

(77) Program Activity--The specific purposes for which HOME funds are used and required in the Contract with the Administrator.

(78) Program Income--The gross income received by the Department, Development Owners or Administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR §92.2.

(79) Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under 24 CFR §92.2.

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

(81) Qualified Elderly Development--A Development which meets the requirements of the federal Fair Housing Act and:

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

(B) Is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older.

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

(83) Received Date--The date and time that an Application is physically received by the Department.

(84) Rehabilitation--The improvement or modification of an existing residential development through an alteration, addition, or enhancement. The term includes the demolition of an existing residential development and the Reconstruction of any development units, but does not include the improvement or modification of an existing residential development for the purpose of an adaptive reuse of the development. In accordance with the federal definition of Reconstruction at 24 CFR §92.2, the term also means the demolition and rebuilding, on the same lot, of housing standing on the site at the time of commitment of HOME funds. The number of units on the lot may not be decreased or increased as part of the rehabilitation, but the number of rooms per unit may be increased or decreased. Rehabilitation also includes replacing an existing substandard MHU with a new MHU.

(85) Rental Housing Development (RHD)--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, New Construction or Rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing for Income Eligible Households.

(86) Rural area--An area that is located:

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

(B) Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area; or

(C) In an area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an area that is located in a municipality with a population of more than 50,000.

(87) Rural Development--A Development or proposed Development that is located in a Rural Area, other than rural New Construction Developments with more than 80 units.

(88) Service Area--The city, county and/or place identified in the Contract that the Administrator will serve.

(89) Set-Aside--A statutory or federally mandated reservation of a portion of available funds or units for specific types of housing priorities, Program Activities or geographic locations.

(90) Single Family Housing Development--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, and/or New Construction or Rehabilitation of affordable single family housing units Income Eligible Households to acquire homeownership.

(91) State Recipient--A Unit of General Local Government designated by the Department to receive HOME funds.

(92) Subrecipient--A public agency or nonprofit organization selected by the Department to administer all or a portion of the Department's HOME program. A public agency or nonprofit that receives HOME funds solely as a developer or owner of housing is not a Subrecipient. The

Department's selection of a Subrecipient is not subject to the procurement procedures and requirements.

(93) TAC--Texas Administrative Code.

(94) Tenant-Based Rental Assistance (TBRA)--A Program Activity for the purpose of providing HOME funds for rental subsidy and security and utility deposit assistance to Income Eligible Households.

(95) Texas Minimum Construction Standard (TMCS)--The program standard used to determine the minimum acceptable housing condition for the purposes of Rehabilitation and acquisition.

(96) Third Party--A Person who is not:

(A) An Applicant, Administrator, Borrower, General Partner, Developer, Development Owner, or General Contractor; or

(B) An Affiliate, Affiliated Party to the Applicant, Administrator, Borrower, General Partner, Developer, Development Owner or General Contractor; or

(C) A Person receiving any portion of the administration, contractor fee or developer fee.

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

(98) Urban Area--The area that is located within the boundaries of a primary metropolitan statistical area other than an area that is described by paragraph (86) of this subsection.

(99) USC--The United States Code.

§53.3.Ex Parte Communications.

(a) During the period beginning on the date project Applications are filed in an application cycle and ending on the date the board makes a final decision with respect to the approval of any Application in that cycle, a member of the Board may not communicate with the following Persons:

(1) an Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, rehabilitation, ownership, or control of the proposed project, including:

(i) a General Partner or contractor; and

(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(b) Subject to subsection (c) of this section, during the period beginning on the date project Applications are filed in an application cycle and ending on the date the Board makes a final decision with respect to the approval of any Application in that cycle, an employee of the Department may communicate about the Application with the following Persons:

(1) the Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, Rehabilitation, ownership, or Control of the proposed Project, including:

(i) a General Partner or contractor; and

(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(c) A communication under subsection (b) of this section may be oral or in any written form, including electronic communication through the internet, and must satisfy the following conditions:

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

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

(3) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(A) the date, time, and means of communication;

(B) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;

(C) the subject matter of the communication; and

(D) a summary of any action taken as a result of the communication.

(d) Notwithstanding subsection (a) or (b) of this section, a Board member or Department employee may communicate without restriction with a Person listed in subsection (a) or (b) of this section during any board meeting or public hearing held with respect to the Application, but not during a recess or other nonrecord portion of the meeting or hearing.

(e) Subsection (a) of this section does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

§53.4. Waivers in Disaster Areas.

It is the policy of the Department to utilize the waivers granted by HUD in disaster areas unless otherwise specifically stated in any NOFA released.

§53.5. Printed Materials Available.

Upon request, any materials identified as available of the Department's website in this Chapter may also be distributed in hard copy.

§53.6. Alternative Dispute Resolution.

The Department encourages Persons to use the Alternative Dispute Resolution rules found in §1.17 of this title, to resolve disputes.

§53.7. Compliance Rules.

Multifamily Developments (whether single family homes or Developments with four or more units) are subject to the relevant compliance rules found in Chapter 60 of this title.

§53.8. Notice of Receipt of Application or Proposed Application.

(a) Not later than the 14th day after the date an Application or a proposed Application for housing funds described by §2306.111 has been filed, the Department shall provide written notice of the filing of the Application or proposed Application to the following Persons:

(1) the United States representative who represents the community containing the Development described in the Application;

(2) members of the legislature who represent the community containing the Development described in the Application;

(3) the presiding officer of the governing body of the political subdivision containing the Development described in the Application;

(4) any member of the governing body of a political subdivision who represents the area containing the Development described in the Application;

(5) the superintendent and the presiding officer of the board of trustees of the school district containing the Development described in the Application; and

(6) any neighborhood organizations on record with the state or county in which the Development described in the Application is to be located and whose boundaries contain the proposed development site.

(b) The notice provided under subsection (a) of this section must include the following information:

(1) the relevant dates affecting the Application, including:

(A) the date on which the Application was filed;

- (B) the date or dates on which any hearings on the Application will be held; and
- (C) the date by which a decision on the Application will be made;
- (2) a summary of relevant facts associated with the development;
- (3) a summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and
- (4) the name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

§53.9.Environmental Clearance and Loan Closing Are Required Prior to Construction.

Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

Subchapter B. ALLOCATION OF FUNDS

§53.20.Consolidated Plan.

The Department will annually develop a Consolidated Plan One-Year Action Plan that will determine funding priorities and Set-Asides for the use of funds provided under the Act by HUD. Funds will be released only after approval of the One-Year Action Plan by HUD.

§53.21.Allocation of Funds.

(a) The Department shall administer all federal housing funds provided to the state under the Act in accordance with the Final Rule and Chapter 2306 of the Texas Government Code by:

(1) adopting a goal to apply an aggregate minimum of 25% of the division's total housing funds toward housing assistance for individuals and families of extremely low and very low income, pursuant to §2306.111(b);

(2) expending 95% of these funds for the benefit of non-participating small cities and Rural Areas that do not qualify to receive funds under the Act directly from HUD;

(3) expending 5% of these funds for Persons with Disabilities who live in any area of the state as required by §2306.111(c).

(b) The funds under subsection (a)(2) of this section shall be allocated according to the regional allocation formula adopted as required by Chapter 2306.

(c) The funds will not be regionally allocated as required by subsection (b) of this section if the funds are reserved for contract for deed conversions or for Set-Asides mandated by state or federal law and each contract for deed Set-Aside equals not more than 10% of the total allocation of funds.

(d) The funds under subsection (a)(3) of this section are not subject to the regional allocation formula and may be used in any region of the state. Limitations on funds for a single region, if

any, will be included within a NOFA. If limitations are not included in a NOFA, the maximum funds available are 5% of the annual allocation.

(e) The Department will make every effort to distribute funds throughout the state as outlined in the Department's Consolidated Plan One-Year Action Plan and in accordance with Chapter 2306.

(f) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds to other areas identified in the Consolidated Plan, at its own discretion.

(g) Deobligated Funds. The Department shall use Deobligated Funds in accordance with §1.19 of this title. As required by Chapter 2306, the funds will be expended under the same allocation method called for under subsection (a) of this section and are not subject to the regional allocation formula.

Subchapter C. PROGRAM ACTIVITIES

§53.30. Activities in Consolidated Plan.

Through its Consolidated Plan, the Department has identified general guidelines for funding of a Program Activity. Applicants that meet the qualifications identified in this Chapter and under the terms of a NOFA may apply for any Program Activity the Department funds.

§53.31. Owner-Occupied Housing Assistance Program (OCC).

(a) Eligible activities are limited to the Rehabilitation or Reconstruction of existing owner-occupied housing. The Rehabilitation of a MHU is not an eligible activity.

(b) Eligible forms of homeownership are limited to fee simple title to the real property, a 99-year leasehold interest in the real property, a 50-year leasehold interest on trust, a 50-year leasehold on restricted Indian lands, or ownership or membership in cooperative or a mutual housing project that constitutes homeownership under Texas law.

(c) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:

(1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act, §19(1);

(2) the unit is permanently installed ~~down~~;

(3) the unit is permanently attached to utilities; and

(4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.

(d) The Household must comply with the following initial eligibility requirements:

(1) own and occupy the single family unit as its Principal Residence;

- (2) be an Income Eligible Household;
 - (3) be located within the Administrator's Service Area; and
 - (4) meet all other eligibility requirements.
- (e) Real property taxes assessed on the housing unit must be current and/or the Household must be participating in an approved payment plan with the taxing authority.
- (f) The property must not be encumbered with tax liens, child support liens, or mechanic or materialmen's liens.
- (g) The maximum amount of assistance to an eligible Household is based on Household size:
- (1) Rehabilitation that is Reconstruction for 1 - 4 person Household: \$60,000
 - (2) Rehabilitation that is Reconstruction for 5 - 6 person Household: \$67,500
 - (3) Rehabilitation that is Reconstruction for 7 or more person Household: \$75,000
 - (4) Rehabilitation that is not Reconstruction: \$30,000
- (h) The minimum amount of assistance to an eligible household is \$1,000.
- (i) The estimated value of the housing unit, after Rehabilitation or Reconstruction, must not exceed the HUD 203(b) Limits.
- (j) The form of assistance to an eligible Household is based on AMFI except in the instances of a MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. In accordance with Rider 5 of the Department's Legislative Appropriation, the Department shall use the state average median family income in determining the form of assistance as prescribed in Figure 10 TAC 53.31(j) for eligible Households living in those counties where the area median family income is lower than the state average median family income. For Rehabilitation ~~that is Reconstruction~~ (excluding contract for deed conversion), the Loan amount is based upon the amount of assistance to be provided to the household. Once construction is complete, the loan balance will be determined by subtracting from the 'as complete' final appraised value of the housing unit, minus the appraised value of the existing housing unit (initial appraisal) and 10% of the 'as complete' final appraised value. Upon completion of the Reconstruction, To ensure the correct equity credit is provided, the Department will reduce the Loan amount with a principal reduction in the amount necessary to arrive at the correct loan balance, taking into account ~~for~~ any change orders that resulted in a net decrease or increase in the amount of assistance, ~~a net decrease of the after-improved value and 10% of the after-improved value of the housing unit.~~

Figure: 10 TAC §53.31(j)

AMFI	Rehabilitation or Reconstruction
≤ 30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and ≤50% AMFI	0% interest, <u>15</u> 20-year <u>deferred, forgivable term</u> Loan. <u>Repayable for first 10 years on 50-year</u>

	amortization schedule and annual forgiveness of balance from years 11-20.
>50% and ≤60% AMFI	0% interest, 20-year deferred, forgivable term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and ≤80% AMFI	0% interest, 20-year term repayable Loan.

(k) When a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the activity is considered acquisition and will trigger affordability requirements for homeownership as defined by 24 CFR §92.254. (Refer to §53.14 of this chapter.)

(l) In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(m) In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease, unless the Property is transferred by devise, descent or operation of law upon the death of the homeowner that is a Household whose Annual Income does not exceed 30% of the AMFI.

(n) In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.

(o) Housing units assisted with HOME funds must meet or exceed the TMCS or CHS, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule.

§53.32. *Homebuyer Assistance Program (HBA).*

(a) Eligible activities are limited to the acquisition or acquisition and Rehabilitation of single family housing units.

(b) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:

(1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act, §19(1);

- (2) the unit is permanently installed ~~down~~;
 - (3) the unit is permanently attached to utilities; and
 - (4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.
- (c) The Household must comply with the following initial eligibility requirements:
- (1) occupy the single family unit as its Principal Residence;
 - (2) be an Income Eligible Household and for contract for deed conversion, the Households Annual Income must not exceed 60% AFMI;
 - (3) be located within the Administrator's Service Area; and
 - (4) meet all other eligibility requirements.
- (d) The Property must not be encumbered with tax liens, child support liens, or mechanic or materialmen's liens.
- (e) The maximum amount of assistance to an eligible Household for downpayment and closing cost assistance is the lesser of:
- (1) \$15,000 for Persons with Disabilities; or
 - (2) \$10,000.
- (f) The maximum amount of assistance for Rehabilitation that is not Reconstruction to an eligible PWD Household that is also using funds for acquisition is \$20,000.
- (g) The maximum amount of assistance to an eligible Household for acquisition and closing costs for a contract for deed conversion is \$25,000. In the case of a contract for deed conversion housing unit that involves both the acquisition of a loan on an existing MHU and the associated land, the Executive Director may grant an exception to exceed this amount, however, the Executive Director will not grant an exception to exceed \$40,000 of assistance.
- (h) The maximum amount of assistance for Rehabilitation to an eligible Household for a contract for deed conversion is limited to the OCC Program Activity requirements in §53.13(g) of this chapter.
- (i) When a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the maximum amount of assistance to an eligible Household is based on Household size:
- (1) Rehabilitation that is Reconstruction for 1 - 4 person Household: \$60,000
 - (2) Rehabilitation that is Reconstruction for 5 - 6 person Household: \$67,500
 - (3) Rehabilitation that is Reconstruction for 7 or more person Household: \$75,000

~~(j)~~ For contract for deed conversions and when a MHU is being replaced with newly constructed housing (site built) or any housing unit being replaced on an alternate site, the form of assistance to an eligible Household is based on AMFI:

Figure: 10 TAC §53.32(j)

AMFI	MHU Replacement with Stick Built or Alternate Site
≤30% AMFI	0% interest, deferred, forgivable loan based on federal affordability requirements as defined in 24 CFR §92.254.
>30% and ≤50% AMFI	0% interest, 20 year term Loan. Repayable for first 10 years on 50 year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and ≤60% AMFI	0% interest, 20 year term Loan. Repayable for over 20 years on 40 year amortization schedule and forgiveness of balance upon maturity.
>60% and ≤80% AMFI	0% interest, 20 year term repayable Loan.

~~(j)~~ ~~(k)~~ The minimum amount of assistance to an eligible Household is \$1,000.

~~(k)~~ ~~(l)~~ The purchase price of the housing unit, plus the value of the Rehabilitation or Reconstruction if applicable, must not exceed 95% of the area's median purchase price as specified in the HUD 203(b) Limits.

~~(l)~~ ~~(m)~~ With the exception of subsection (j) of this section, ~~t~~ The total amount of assistance under this section and Program Activity, including Rehabilitation and activities involving contract for deed conversion, a MHU being replaced with newly constructed housing (site-built), and a housing unit being replaced on an alternate site, will be provided in the form of a zero percent (0%) deferred, forgivable Loan with a term based on the federal affordability requirements as defined in 24 CFR §92.254.

~~(m)~~ ~~(n)~~ Any forgiveness of the Loan occurs upon the anniversary date of the Household's continuous occupancy as its Principal Residence and continues on an annual pro-rata basis until maturity of the Loan.

~~(n)~~ ~~(o)~~ In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(o) ~~(p)~~ In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease.

(p) ~~(q)~~ In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised but the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.

(q) ~~(r)~~ Housing units assisted with HOME funds must meet or exceed the TMCS or CHS, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule.

(r) ~~(s)~~ This Program Activity is a CHDO-eligible activity.

§53.33.Tenant-Based Rental Assistance Program (TBRA).

(a) TBRA is provided to eligible tenants for payment of rental subsidies and for a period of time that does not exceed 24 months per Household. Security deposits and utility deposits may be provided in conjunction with rental assistance.

(b) The Household must comply with the following initial eligibility requirements:

- (1) participate in an approved self-sufficiency program;
- (2) maintain Principal Residency in the rental unit for which the subsidy is being provided;
- (3) be an Income Eligible Household;
- (4) reside in a rental unit that is located within the Administrator's Service Area; and
- (5) meet all other eligibility requirements.

(c) Assistance to an eligible Household is limited by:

- (1) for rental subsidy, cannot exceed twenty-four (24) months per Household; and
- (2) for security deposit, cannot exceed two (2) months rent for the unit.

(d) The rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program."

(e) Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards established by HUD.

§53.34.Rental Housing Development Program (RHD).

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of multifamily housing Developments and as further defined in the NOFA. Owners of rental units assisted with HOME funds must comply with income and rent restrictions for the duration of the

required affordability period as required and defined at 24 CFR §92.252. Housing assisted with HOME funds must meet all applicable codes and standards. In addition, housing that is Newly Constructed or Rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR §92.251(a).

(b) This Program Activity is a CHDO-eligible activity.

§53.35. Single Family Housing Development Program.

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of single family housing and as further defined in the NOFA. Single family housing units assisted with HOME funds must comply with the required affordability requirements as defined at 24 CFR §92.254. In addition, housing that is Newly Constructed or Rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the 24 CFR §92.251(a). If eligible, an Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(b) This Program Activity is a CHDO-eligible activity.

§53.36. CHDO Pre-Development Loan Program.

Applicants for pre-development loans will be required to have a summary description of a proposed Development and be able to show the necessary development experience to apply, as outlined in the NOFA and Application. Predevelopment loan funds may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Pre-development Loans must be repaid from construction loan proceeds or other project income.

§53.37. Prohibited Activities.

Department awards may not be used to:

- (1) Provide project reserve accounts, except as provided in 24 CFR §92.206(d)(5), or operating subsidies;
- (2) Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with §212(d) of the Act;
- (3) Provide non-federal matching contributions required under any other Federal program;
- (4) Provide assistance authorized under §9 of the 1937 Act (Public Housing Capital and Operating Funds);
- (5) Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR §248.101;
- (6) Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with

HOME funds during the period of affordability established by the PJ in the written agreement under 24 CFR §92.504. However, additional HOME funds may be committed to a project up to one year after project completion (24 CFR §92.502), but the amount of HOME funds in the Project may not exceed the maximum per-unit subsidy amount established under 24 CFR §92.250;

(7) Pay for the acquisition of Property owned by the PJ, except for Property acquired by the PJ with HOME funds, or Property acquired in anticipation of carrying out a HOME project;

(8) Pay delinquent taxes, fees or charges on Properties to be assisted with HOME funds;

(9) Pay for any cost that is not eligible under 24 CFR §§92.206 - 92.209;

(10) Assist Persons who owe payments identified by the Comptroller of Texas as relevant;

(11) Assist Households whose Property has current tax liens and/or judgments to the State of Texas against it; or

(12) Provide Rehabilitation on a housing unit without prior written consent of all Persons who have a valid lien or ownership interest in the Property.

Subchapter D. APPLICATION REQUIREMENTS AND PROCEDURES

§53.40.Competitive and Open Cycles.

All NOFAs will be presented to the Board. The Department will declare within a NOFA whether the application cycle will be a competitive or open cycle. Funds made available for disaster relief will not be released in a NOFA but will be provided in accordance with the Department's Deobligated Funds Policy §1.19 of this title.

§53.41.Eligible Applicants.

The following organizations or entities are eligible to apply for HOME eligible activities:

(1) nonprofit organizations;

(2) CHDOs;

(3) Units of General Local Government;

(4) for-profit entities and sole proprietors; and

(5) public housing agencies.

§53.42.Ineligible Applicants and Applications.

The following violations will cause an Applicant and any Applications they have submitted to be ineligible:

(1) The Applicant, Development Owner, or Developer is an Administrator of a previously funded Contract for which HOME funds have been partially or fully deobligated due to failure to

meet contractual obligations during the 12 months prior to application submission date, unless the deobligation was voluntary and prior to the contract term expiration date, or was the remainder on a completed Contract;

(2) The Applicant, Development Owner, or Developer has failed to submit a response to provide an explanation, evidence of corrective action or a payment of disallowed costs or fees as a result of a monitoring review;

(3) The Applicant, Development Owner, or Developer has failed to make timely payment or is delinquent on any loans or fee commitments made with the Department on the date of the Application submission;

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

(5) The Applicant, Development Owner, or Developer has violated the State's revolving door policy;

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

(7) The Applicant, Development Owner, or Developer at the time of Application submission is:

(A) subject to an enforcement or disciplinary action under state or federal securities law or by the NASD;

(B) subject to a federal tax lien;

(C) or is the subject of an enforcement proceeding with any governmental entity;

(8) The Applicant, Development Owner, or Developer with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the Application submission date in accordance with §1.3 of this title;

(9) The submitted Application has an entire volume of the Application missing; has excessive omissions of documentation from the threshold Criteria or uniform Application documentation; or is so unclear, disjointed, or incomplete that a thorough review can not reasonably be performed by the Department, as determined by the Department. If an Application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant;

(10) The Applicant, Development Owner, or Developer or anyone that has Controlling ownership interest in the Development Owner or Developer that is active in the ownership or

Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA;

(11) The Application is a joint venture Application for the same Program Activity to serve the same town, city, or county that is identified in the Application already submitted as a sole Application for the same Program Activity in the same town, city or county;

(12) Applicant is requesting funding not related to Persons with Disabilities in a PJ; or

(13) Any Application that includes financial participation by a Person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or Reconstruction efforts as a result of Hurricanes Rita or Katrina or any other disaster occurring after September 25, 2005, or was assessed a federal civil or administrative penalty in relation to such a contract.

§53.43.Application Forms and Materials and Deadlines.

(a) The Department will develop and publish on its website an Application and ASPM that if completed would satisfy the requirements for requesting funds from the Department. The Department may limit the eligibility of Applications in the NOFA and ASPM. Threshold and selection criteria and any other Application requirements will be specified in the NOFA approved by the Board.

(b) Applicants must submit an Application by the deadline date specified in the NOFA using the Application, ASPM and forms required by the Department. All Applications must be received during business hours (8:00 a.m. to 5:00 p.m. Central Standard Time) on any business day.

§53.44.General Applicant Eligibility Requirements.

(a) An Applicant must satisfy each of the following requirements in order to be eligible to apply for HOME funding and as more fully described in the NOFA and Application, when applicable:

(1) provide evidence of its ability to carry out the program in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing Developments;

(2) demonstrate fiscal, programmatic, and contractual compliance on previously awarded Department Contracts or Loans;

(3) submit any past due audit to the department in a satisfactory format on or before the application deadline, in accordance with §1.3 of this title;

(4) demonstrate satisfactory performance otherwise required by Department rules and set out in the Application;

(5) comply with all requirements to utilize the Department's website to provide necessary data to the Department;

(6) provide certification that no person or entity that would benefit from the award of HOME funds has provided a source of Match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith;

(7) provide certification that all contractors, consulting firms, Administrators, and Development Owners will sign an affidavit to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions; and

(8) if required or requested, provide reasonable Match.

(b) Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications containing Persons found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

§53.45. Rental Housing Development (Multifamily) Application Requirements.

(a) Rental Housing Development site and development restrictions include all those items referred to in the Final Rule, and any additional items included in the NOFA for RHD.

(b) Developments involving New Construction will be limited to 252 Units. These maximum unit limitations also apply to those Developments which involve a combination of Rehabilitation and New Construction. Developments that consist solely of acquisition and Rehabilitation or Rehabilitation only may exceed the maximum unit restrictions. Developments in Rural Areas are limited to no more than 80 units. The minimum number of units shall be 4 units.

(c) For funds being used for RHD, the Development Owner must establish a reserve account consistent with Texas Government Code, §2306.186, and as further described in §1.37 of this title.

§53.46. Multifamily Applicants also Seeking Housing Tax Credits.

Applicants who are seeking housing tax credits and are also seeking funds under this Chapter for the same Development must meet the requirements under the Qualified Allocation Plan for the year in which they are applying for these funds and all of the requirements of this subchapter unless specifically waived by the Department

§53.47. Application and Award Limitations.

(a) The Department reserves the right to reduce the amount requested in an Application based on Program Activity or Project feasibility, underwriting analysis, or availability of funds.

(1) The Contract award amount for OCC shall not exceed \$375,000 per Applicant per NOFA.

(2) The Contract award amount for HBA shall not exceed \$300,000 per Applicant per NOFA, however, up to \$500,000 may be awarded to HBA Applicants whose Service Area includes multiple counties within a Uniform State Service Region.

(3) The Contract award amount for TBRA shall not exceed \$300,000 per Applicant per NOFA.

(4) The Contract award amount for contract for deed conversions shall not exceed \$500,000 per NOFA, except as may be otherwise allowed by the Board or NOFA.

(5) The Contract award amount for disaster relief shall not exceed \$500,000 per state or federally declared disaster, or as may be otherwise allowed by the Board. Only one Application per affected Unit of General Local Government may be submitted for each declared disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government. If the disaster is a federally declared disaster, the Applicant may not be funded until 90 days have expired from the federal declaration date. Applications for disaster relief will only be accepted within six (6) months after the first day assistance under this program is made available.

(6) The Contract Award amount for RHD or Single Family Development activities shall not exceed \$3 million. The Department reserves the right to set maximum loan to value limitations and minimum Match requirements on all Development activities.

(7) The Contract award amount for CHDO Operating Expenses shall not exceed:

(A) the lesser of clauses (i) or (ii) of this subparagraph:

(i) fifty percent (50%) of the CHDO's total annual operating expenses in that fiscal year; or

(ii) five percent (5%) of the CHDO funds awarded for the Project from the CHDO Set-Aside;
and

(B) \$50,000, whichever is greater.

(C) An Applicant shall not receive more than one award of CHDO operating funds during the same fiscal year regardless of the number of Applications submitted.

(8) The Contract award amount for CHDO Predevelopment Loans may not exceed \$50,000 per Application. Applicants may submit only one Application per NOFA to cover eligible costs.

(b) The Board may waive the amounts in this section by stating the increase in the applicable NOFA.

§53.48.Application Review Process.

(a) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis, until such date when the Department makes notice to the public that an Open Application Cycle has been closed; and

(2) Each Application will be handled on a first-come, first-served basis as further described in this section. Each Application will be assigned a Received Date based on the date and time it is physically received by the Department. Then each Application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on its Received Date unless it does not proceed into the next phase(s) of review.

Applications proceeding in a timely fashion through a phase will take priority over Applications that may have an earlier Received Date but that did not timely complete a phase of review.

(A) Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria and eligibility within 45 days of the Received Date. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.

(B) Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department will ~~may~~ issue a notice of any Administrative Deficiencies within 45 days of the date the Application enters Phase Two. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.

(C) Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application within 30 days of the Application enters Phase Three. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.

(3) Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has completed all phases of its review. In the case that all HOME funds are committed before an Application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new HOME funds become available, Applications will continue onward with their review without losing their Received Date priority. If HOME funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The Applicant must reapply to be considered for future funding. If on the date an

Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed.

(b) Applications received by the Department in response to a Competitive Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis during the Application Acceptance Period as specified in the NOFA;

(2) Applications submitted and accepted by the Department will be reviewed for eligibility, threshold and selection criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM. A comprehensive review of financial feasibility for RHD and Single Family Development Program Activities will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. If applicable, a review of the CHDO Certification Application will be performed. The Department will issue a notice of any Administrative Deficiencies for items reviewed within 45 days of the Received Date. If Administrative Deficiencies are not cured to the satisfaction of the Department within five (5) business days of the deficiency notice date, then five (5) points shall be deducted from the selection score for each additional day the Administrative Deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected within seven (7) business days from the deficiency notice date, then the Application shall be terminated; and

(3) Upon completion of review and no unresolved Administrative Deficiencies, the Application will be reviewed for recommendation to the Board by the Committee.

(c) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies including threshold and/or selection criteria documentation and/or financial feasibility analysis. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. To cure an Administrative Deficiency, an Applicant must provide a clarification, further definition or exposition of an issue, an explanation as to why an Applicant has provided certain information, or resolution of a discrepancy where an Applicant has provided conflicting information. An Administrative Deficiency may not be cured by substantially changing an Application or providing any new unrequested information. An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, and may not add any Set-asides, increase their award amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Real Estate Analysis Division to remedy an Administrative Deficiency as further described in this title or by amendment of an Application after a commitment or allocation of HOME funds.

(d) Decline to Fund. The Department may decline to fund any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any Application.

§53.49.Selection Criteria for Program Activities.

Selection criteria for any Program Activities will be described in the applicable NOFA and ASPM. The Applicant's self-score must be completed in the Application. An Applicant may not adjust the self-score without a request from the Department as a result of an Administrative Deficiency.

Subchapter E. COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

§53.50.Application Procedures for Certification of CHDO.

(a) An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO Application must be submitted with an Application for HOME funding under the CHDO Set-Aside. The Application must include documentation evidencing the requirements of this subsection:

(1) The Applicant must be organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(2) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(3) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(4) The Applicant must have the following tax status:

(A) A current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the Application and must continue to be effective while certified as a CHDO; or

(B) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later,

from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and a private nonprofit organization's pending application for §501(c)(3) or §(c)(4) status cannot be used to comply with the tax status requirement under this subparagraph.

(5) The Applicant must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(A) Articles of Incorporation,

(B) Charter;

(C) Resolutions; or

(D) Bylaws; and

(E) A Business Plan for the CHDO, as prescribed in the CHDO Application.

(6) The Applicant must have a clearly defined CHDO Service Area. The Applicant may include as its service area an entire Community, but not the whole state. The Applicant must provide evidence of its participation in the Community for each city/place or county listed in the Service Area. Private nonprofit organizations serving special populations must also define the geographic boundaries of its Service Areas and provide evidence of its participation in the Community for each city/place or county listed in the Service Area. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

(7) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR §84.21, "Standards of Financial Management Systems" as evidenced by:

(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department;

(ii) certification from a Certified Public Accountant; or

(iii) HUD approved audit summary; and

(iv) a written narrative describing internal controls used to create financial duties and safe guard corporate assets; and

(v) a written narrative describing the conflict of interest policy governing employees and development activities and procurement; and

(vi) a written narrative describing the current corporation's financial structure can support housing development activities; and

(vii) describe the organization's ability to manage additional rental development activities, if applicable.

(B) Demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) documentation that describes the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the low income residents of the Community within the city/place or county which housing to be assisted with HOME funds is to be located as evidenced by:

(i) documentation of at least one year of experience in serving that Community; or

(ii) for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the Community in which the housing to be assisted with HOME funds is to be located; and

(iii) The CHDO or its parent organization must be able to document one year of serving the Community in which housing to be assisted with HOME funds is to be located prior to the date the PJ provides HOME funds to the organization. In the submission, the organization must document and describe its history (or its parent organization's history) of serving the community in which the housing to be assisted with HOME funds is to be located by describing and documenting CHDO eligible activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the Community, such as counseling, food relief, or childcare facilities. The statement in the submission package must be signed by the president or other official of the organization.

(8) An Applicant must have the following organizational structure. The Applicant must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 % or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in subparagraph (B) of this paragraph. For the purpose of this paragraph, elected representatives of low-income neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this paragraph shall be evidenced by:

(A) written provision or statement in the organizations Bylaws, Charter or Articles of Incorporation;

(B) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized; and

(C) current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(9) The Applicant must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(A) organization's Bylaws; or

(B) written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval; and

(C) A Resolution as prescribed by the Department and evidence date of board approval.

(10) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(A) The state or local government may not appoint more than one-third of the membership of the organization's governing body;

(B) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members;

(C) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, employees of the participating jurisdiction, or employees of the sponsoring state or local government, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official;

(D) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph; and

(E) Compliance with subparagraphs (A) - (D) of this paragraph shall be evidenced by:

(i) organization's Bylaws with evidence date of board approval;

(ii) Charter; or

(iii) Articles of Incorporation.

(11) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board

members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(A) Bylaws with evidence date of board approval;

(B) Charter; or

(C) Articles of Incorporation.

(D) An Applicant may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's Bylaws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) organization's Bylaws with evidence date of board approval; or

(ii) Memorandum of Understanding (MOU);

(12) CHDO that are in partnership agreements associated with the Development must maintain effective Control and decision making control over the Development. All legally binding ownership and/or partnership agreements must clearly state the CHDO's role in the Development, as evidenced by:

(A) partnership agreement; and/or

(B) ownership agreement; and/or

(C) developer agreement ; and/or

(D) sponsorship agreement.

(13) Religious or Faith-based Organizations may sponsor a CHDO if the CHDO meets all the requirements of this section. While the governing board of a CHDO sponsored by a religious or a faith-based organization remains subject to all other requirements in this section, the faith-based organization may retain control over appointments to the board. If a CHDO is sponsored by a religious organization, the following restrictions also apply:

(A) Housing developed must be made available exclusively for the residential use of program beneficiaries and must be made available to all persons regardless of religious affiliations or beliefs;

(B) A religious organization that participates in the HOME program may not use HOME funds to support any inherently religious activities: such as worship, religious instruction, or proselytizing;

(C) HOME funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. Sanctuaries, chapels, or other rooms which a faith-based CHDO uses as its principal place of worship are always ineligible for HOME-funded improvements;

(D) Compliance with subparagraphs (A) - (C) of this paragraph may be evidenced by:

(i) Organization's Bylaws;

(ii) Charter; or

(iii) Articles of Incorporation.

(b) An Application for CHDO Certification will only be accepted if submitted with an Application to the Department for HOME funds. If all requirements under this section are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department. A new Application for CHDO certification must be submitted to the Department with each new Application for HOME funds under the CHDO Set-Aside.

(c) Community Housing Development Organizations (CHDO) that have received an award of HOME funds must submit recertification documentation every two years. The recertification documentation is due to the Department biannually on the last day of the anniversary month in which the Board approved the CHDO Set-Aside award. The recertification documentation must include, but is not limited to:

(1) A narrative describing the housing production objectives accomplished over the last 2-year period.

(2) A description of any ongoing/future initiatives.

(3) A statement of objectives for the CHDO over the next two years.

(4) A timeline and budget describing the completion of any development activities undertaken by the CHDO within the last two years.

(5) An organizational chart listing current personnel and a brief description of each individual's position, primary responsibilities and authority in the organization.

(6) A written statement indicating how the current organization's financial structure can support housing development activities in the future.

(7) A written statement describing how the CHDO will continue to leverage other resources in the future.

(8) A written statement describing ways in which the Department can assist your organization through technical assistance, capacity building, and/or training.

Subchapter F. AWARD AND CONTRACTS

§53.70.Process for Awards.

(a) All recommendations for awards will be presented to the Committee before presentation to the Board. All Applications must comply with all applicable program requirements or regulations established in 24 CFR Part 92 and in this chapter.

(b) Applicants applying in response to an Open Application Cycle will be prioritized for recommendation to the Board based on the process described in §53.48 of this chapter and as otherwise specified in the NOFA.

(c) Applicants applying in response to a Competitive Application Cycle will be ranked by highest score per Program Activity, per Uniform State Service Region and Area Type, unless otherwise specified in the NOFA.

(1) If sufficient qualified Applications are not received for a Program Activity in a Uniform State Service Region and Area Type, the funds will be redirected to the next Uniform State Service Region that had a higher number of qualified Applicants for that same Program Activity type, unless otherwise specified in the NOFA.

(2) If sufficient Applications are not received in a Uniform State Service Region and Area Type for a Program Activity, the funds will be redirected to the Uniform State Service Region and Area Type with the highest number of qualified Applicants for another Program Activity type, unless otherwise specified in the NOFA.

(d) In the event of a tie between two or more Applicants, the Department reserves the right to determine which Application will receive a recommendation for funding, or as otherwise specified in the NOFA. Tied Applicants may also receive a partial recommendation for funding.

(e) When the remainder of the allocation for an allocation within a Uniform State Service Region is insufficient to completely fund the next ranked Application in the Program Activity or Uniform State Service Region, it is within the discretion of the Department to:

(1) award a partial amount to the next ranked Application, reducing the scope of the Application proportionally;

(2) make necessary adjustments to fully fund the Application; or

(3) transfer the remaining funds to other Program Activities or Uniform State Service Regions.

(f) Applications may also receive a partial recommendation for funding. A minimum award amount may be established to ensure feasibility.

(g) Applications receiving a favorable EARAC recommendation are presented to the Board for approval, pending the availability of HOME funds.

(h) Applicants may appeal on the decision regarding their Applications in accordance with §1.7 of this title.

(i) Board approval of the award of any HOME funds, acquisition or construction activities will be conditional upon a completed Loan closing and any other conditions deemed necessary by the Department.

§53.71. Contract Required after Award.

Any Program Activity funded under this program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be

effective until executed by all parties to the Contract. Any amendments must be in writing and are subject to the requirements of this Chapter.

§53.72.Contract Terms.

(a) Unless otherwise changed by agreement of the parties in a Contract or the applicable NOFA, the terms found in Contract shall be consistent with the following and performance under the Contract will be evaluated with the following benchmarks:

(1) OCC Program Activity. The Contract term will not exceed 22 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and broad review environmental clearance must be complete, and if not tiering, the first Household to be assisted must be environmentally cleared;

(B) 8 months, Authority to Use Grant Funds must be fully executed and all Households to be assisted must be environmentally cleared;

(C) 12 months, 100% of funds must be committed to Households to be assisted;

(D) 15 months, 100% of Household's Loans must be closed, if applicable;

(E) 20 months, 100% of construction must be complete for all Households to be assisted; and

(F) 22 months, 100% funds drawn and 100% of match requirement supplied.

(2) HBA Program Activity. The Contract term will not exceed 24 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and environmental clearance must be complete for at least one Household to be assisted;

(B) 12 months, environmental clearance must be complete for at least 50% of the Households to be assisted, 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied;

(C) 18 months, environmental clearance must be complete for at least 75% of the Households to be assisted, 75% of funds must be committed, 50% of funds drawn, and 50% of match requirement supplied; and

(D) 24 months, 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied.

(3) TBRA Program Activity. The Contract term will not exceed 36 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative environmental clearance must be complete and application intake complete for 30% for Households to be assisted;

(B) 9 months, application intake complete for 75% for Households to be assisted;

(C) 12 months, 100% of funds must be committed to Households to be assisted and 25% of funds drawn;

(D) 18 months, 100% of funds already committed and 35% of funds drawn;

(E) 24 months, 100% of funds already committed and 50% of funds drawn; and

(F) 36 months, 100% of funds already committed and 100% of funds drawn.

(4) Rental Housing Development and Single Family Housing Development Program Activity. The Contract term will not exceed 36 months based on the size of the development and length of the Development period. Performance under the Contract term will be based on benchmarks established in the Contract and specific to the Development. Repayment of Loans or affordability periods will extend beyond the Contract end date depending on the Final Rule and Chapter 2306 requirements.

(5) CHDO Pre-Development Loans. The initial contract term will not exceed 24 months. Repayment is expected from development funds if development is begun prior to 24 months.

(b) Revised benchmarks and/or lower percentages, due to extenuating or unforeseeable circumstances, may be allowed and as approved by the Department.

§53.73. Contract Amendments.

(a) Amendment requests to be approved by the Executive Director of the Department are allowable under the following circumstances:

(1) Time extensions. The Executive Director may collectively provide up to one six-month extension to the end date of any Contract. Any additional time extension granted by the Executive Director shall include a statement by the Executive Director relating to unusual and non-foreseeable circumstances that warrant more than a six-month extension. If the extension is longer than six months and the Executive Director determines that a statement related to unusual or non-foreseeable circumstances can not be issued, it will be presented to the Board for approval, approval with modifications, or denial of the requested extension; and

(2) Increase in funds. In the case of a modification or amendment to the dollar amount of the Contract, such modification or amendment does not increase the dollar amount by more than 25% of the original Contract or \$50,000, whichever is greater. Modifications and/or amendments that increase the dollar amount by more than 25% of the original Contract 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.

(b) If the Administrator or Development Owner fails to meet the Contract term or benchmark requirements and does not seek, or is not granted, a Contract amendment for an extension of a benchmark or the entire term, the awarded funds related to the lack of performance may be entirely or partially deobligated at the Department's sole discretion.

(c) Waiver. The Board, in its discretion and within the limits of federal and state law, may waive any one or more of the requirements of this Chapter if the Board finds that waiver is appropriate

to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for good cause, as determined by the Board.

(d) Accounting Requirements. Within 60 days after the Contract end date, the Administrator or Development Owner shall provide a full accounting of funds expended under the terms of the Contract. Failure of an Administrator or Development Owner to provide full accounting of funds expended under the terms of a Contract shall be sufficient reason for the Department to deny any future Contract to the Administrator or Development Owner.

(e) Individual benchmarks. Each benchmark is an individual term and subject to the amendment processes. An interim benchmark extension may or may not extend the entire Contract at the Department's discretion.

Subchapter G. LOANS AND CONTRACT ADMINISTRATION

§53.80. Documents Supporting Mortgage Loans.

(a) Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

(b) A mortgage Loan shall be evidenced by a mortgage or deed of trust note or bond and by a mortgage that creates a lien on the housing development and on all real property that constitutes the site of or that relates to the housing development.

(c) A note or bond and a mortgage or deed of trust:

(1) must contain provisions satisfactory to the Department;

(2) must be in a form satisfactory to the department; and

(3) may contain exculpatory provisions relieving the borrower or its principal from personal liability if the department agrees.

(d) For each Loan made for the Development of multifamily housing with funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC §§12701, et seq.), the department shall obtain a mortgagee's title policy in the amount of the loan. The Department may not designate a specific title insurance company to provide the mortgagee title policy or require the borrower to provide the policy from a specific title insurance company. The borrower shall select the title insurance company to close the loan and to provide the mortgagee title policy. Award amount for disaster relief shall not exceed \$500,000 per State declared disaster, or as may be otherwise allowed by the Board. Only one application per affected Unit of General Local Government may be submitted for each designated disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government.

(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request Loan documents be prepared for the Household:

- (1) An as-is ~~and final appraisal or an as-is and as-built~~ appraisal no older than ninety (90) days;
 - (2) A title commitment no older than ninety (90) days that evidences no tax lien, no child support lien, no mechanic or materialmen's lien;
 - (3) Tax certificate no older than ninety (90) days that evidences a current paid status, and in the case of delinquency, evidence of an approved payment plan with the taxing authority and evidence that the payment plan is current;
 - (4) Life event documentation, as applicable;
 - (5) A copy of the original contract for deed, for contract for deed conversion Loan; and
 - (6) A current payoff statement, for contract for deed conversion Loan.
- (f) Trailing documentation requirements for HBA Loans for downpayment and closing cost assistance. Within ninety (90) days after the Loan closing date, the Administrator or Development Owner must submit to the Department the original recorded deed of trust and transfer of lien, if applicable. Failure to submit these documents within ninety (90) days after the Loan closing date will result in the Department withholding payment for disbursement requests.

§53.81. General Contract Administration.

All Administrators and Development Owners must use the forms provided on the Department's website and comply with the Department's procedural and documentation requirements as outlined in the HOME Program Manual and in this section including, but not limited to:

- (1) Contract must be signed and executed by all appropriate authorized parties;
- (2) Attend training as required by the Department;
- (3) Develop and comply with written procurement selection criteria and committees;
- (4) Procure consultants, if applicable. Consultants may not participate in or direct any part of the process for procuring consultants;
- (5) Complete all applicable Department Contract System access request forms and requirements;
- (6) Perform environmental clearance procedures before committing or expending funds to a Project or Activity, performing any construction activities, including demolition, or the occurrence of the Loan closing, if applicable;
- (7) Develop and comply with written accounting, reporting, filing, and documentation procedures;
- (8) Develop and comply with written applicant intake and selection criteria for and ensure program eligibility which must include, but is not limited to:

- (A) Homeownership, if applicable;
- (B) Income eligibility;
- (C) Assisted Households must be located within the Administrator's Service Area, as defined by the Contract;
- (D) Property taxes are current, if applicable; and
- (E) Assist Special Needs Households, if applicable.
- (9) Develop and comply with affirmative marketing procedures in accordance with the Final Rule;
- (10) Complete applicant intake and applicant selection. Notify each applicant Household in writing of either acceptance or denial of HOME assistance within sixty (60) days following receipt of the intake application;
- (11) Ensure that no Conflict of Interest exists between Households to be assisted and Persons designated to receive or assist with the application intake process;
- (12) Document and verify all income and asset eligibility requirements for the Household to be assisted;
- (13) Ensure compliance with applicable audit certification requirements;
- (14) Ensure that the demolition and removal of all dilapidated units on the lot occurs prior to the Household's occupancy of the Newly Constructed or Rehabilitated housing unit;
- (15) Ensure and verify that each building construction contractor performing activities in the amount of \$10,000 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §16.001;
- (16) Ensure and verify that each housing unit being rehabilitated in the amount of \$10,000 or more under the Contract is registered with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §426.003;
- (17) Provide building construction contractor oversight and ensure builder's risk coverage is provided;
- (18) Ensure that the demolition of any housing unit does not occur less than 6 (six) ~~4 (four)~~ months prior to the Contract end date;
- (19) Ensure compliance with applicable construction or property standards and lead-based paint requirements;
- (20) Conduct appropriate property inspections and documentation in accordance with applicable program requirements;
- (21) Submit required documentation and electronic requests for Project setups and disbursement requests to the Department;

(22) Submit support documentation for Project setups and disbursement requests within thirty (30) days of electronic submission to the Department;

(23) Submit all Project setups and support documentation for Households to be assisted no later than ninety (90) days prior to the Contract end date. In the event that a loan closing is required for single family Rehabilitation or Reconstruction, non-development activities, all Project setups and support documentation must be submitted no later than one hundred eighty (180) days prior to the Contract end date;

(24) Submit required Match documentation to the Department;

(25) Not retain Program Income of any kind, including Program Income to fund other eligible HOME Activities;

(26) Submit any Program Income received to the Department within ten (10) days of receipt;

(27) Return any refunds to the Department's accounting division and include a written explanation of the return of funds, the Contract number, name of Administrator or Development Owner, Activity address and Activity number referenced on the check;

(28) Submit required documentation for Project completion reports and certificate of Contract Completion no later than sixty (60) days from the Contract end date; and

(29) Complete the terms of the Contract.

§53.82. Conflict of Interest.

The Conflict of Interest provisions in 24 CFR §92.356 apply to any Person who is an employee, agent, consultant, officer, or elected official or appointed official of the Department, Administrator or Development Owner. All Administrators and Development Owners must comply with procedures to submit a request to the Department to grant an exception to any conflicts prohibited by 24 CFR §92.356. The request submitted to the Department must include a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. No HOME funds can be used to assist a Household until HUD has granted an exception to the Conflict of Interest provisions.

§53.83. Procurement.

(a) All Administrators acting in the capacity of State Recipients must comply with procurement requirements and regulations established under 24 CFR Part 84 pertaining to the HOME Program, 24 CFR Part 92, Chapter 2254, Texas Government Code, and the HOME Program Manual, as well as any other applicable state and/or local procurement requirements.

(b) Administrators acting in the capacity of Subrecipients must comply with procurement requirements and regulations established under 24 CFR Part 85 pertaining to the HOME Program, as well as any other applicable state and/or local procurement requirements.

(c) Procurement procedures and the selection process must be integrated into the Administrator's HOME program and must comply with federal, state, and local procurement requirements. The

Administrator must have a written code of conduct governing employees, officers, or agents engaged in administering a HOME Contract and appoint a Procurement Officer to manage the bid process.

(d) Procedures established for procurement of building construction contractors may not include requirements for the provision of general liability insurance coverage for an amount to exceed the value of the contract.

(e) HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any service provider or vendor during any period for which the service provider or vendor has been debarred, suspended, or designated as ineligible on the federal Excluded Parties Listing System.

(f) Building construction contractors must be procured using a formal sealed bid procedure for single family New Construction or Rehabilitation Activities or Projects.

(g) Professional service providers must be procured using an open competitive procedure for single family New Construction or Rehabilitation Activities or Projects. Professional services may not be procured based solely on the lowest priced bid. Consultants may not participate in or direct the process of procurement for consultants.

(h) Goods and services other than professional services and building construction contractors, for an amount less than \$100,000 may be procured using documented price quotation procedures.

§53.84. Project Setups and Disbursement Requests.

All Administrators and Development Owners must comply with procedures and timeframes established by this Chapter and the HOME Program Manual to submit requests for Project setup and disbursement requests and support documentation required by the Department. The Department reserves the right to request additional documentation or clarification from the Administrator or Development Owners. Requests must be made electronically and submitted in accordance with applicable benchmarks to the Department using the online TDHCA Contract System database as defined in the "TDHCA Contract System Users Guide."

§53.85. Soft Cost Limitations.

(a) The Department has established cost guidelines and limitations for soft costs related to the OCC and HBA Program Activities.

(1) With the exception of Administrative Costs per Contract, †These costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation and cost categories and limitations not identified in the proposed rule.

(2) Contract Administrators must certify that the amount being disbursed is for the actual amount of costs.

(3) Costs that may be categorized as either a project cost or an administrative cost are identified below. No duplicate disbursement of costs is allowed. Costs may only be disbursed as either a

project cost or administrative cost but not both. Additionally, costs may only be disbursed once per occurrence when providing both acquisition and construction type of assistance to the same Project or Activity as may take place with, but not limited to, contract for deed conversions.

(4) Unless otherwise noted, all items are limited to one (1) occurrence per Project or Activity.

(5) Third-party project costs related to loan closing requirements, such as appraisals, title insurance, tax certificates, and recording fees, are not subject to a maximum per Activity or Project. However, these costs are subject to the limitations of the maximum percentage of hard or project costs identified in subsection (c) of this section.

Figure 10 TAC 53.85(a)(4)

OCC and HBA with Rehabilitation	Reconstruction	Rehabilitation
Project or Administrative Cost		
Application intake and processing	\$ 500 <u>350</u>	\$ 500 <u>350</u>
Appraisal (limited to 2 at \$500 max each)	\$ 1,000	N/A
Construction and disbursement documentation preparation	\$ 250 <u>50</u>	\$ 250 <u>50</u>
Environmental review	\$ 400 <u>300</u>	\$ 400 <u>300</u>
Exempt administrative environmental	\$ 50	\$ 50
Final inspection	\$ 200	\$ 200
Information services	\$ 100 <u>50</u>	\$ 100 <u>50</u>
Initial inspection	\$ 500	\$ 500
Procurement of contractor	\$ 300	\$ 300
Progress inspections (<u>up to limited to 7</u> 4 at \$ 150 <u>200</u> max each, <u>minimum of 4 required</u>) ¹	\$ 1,050 <u>800</u>	\$ 1,050 <u>800</u>
Pre-construction conference	\$ 200	\$ 200
Project document preparation	\$ 100 <u>50</u>	\$ 100 <u>50</u>
Punch list verification inspection	\$ 200	\$ 200
Schedule of values	\$ 100	\$ 100
Work write-up	N/A	\$ 500
Work write-up summary/cost estimate	\$ 400	\$ 400
Administrative Cost Only		
Affirmative marketing plan	\$ 100 <u>50</u>	\$ 100 <u>50</u>
Financial management	\$ 150 <u>75</u>	\$ 150 <u>75</u>
Procurement of professional service provider	\$ 200 <u>300</u>	\$ 200 <u>300</u>
Recordkeeping	\$ 400 <u>75</u>	\$ 400 <u>75</u>
Project Cost Only		
Plans (market value)	N/A	\$ 200
Plans and specification manual (market value)	\$ 1,500 ⁺²	N/A
Specification manual	N/A	\$ 200

¹ A maximum of two (2) progress inspections are allowed when a housing unit is replaced with a MHU.

² Plans and specifications are not an allowable cost when a housing unit is replaced with a MHU.

HBA	
<u>Project or Administrative Cost per PROJECT</u>	
Application intake and processing	\$ <u>500</u> 350
Preparation of loan documents	\$100
Environmental Review	\$ <u>400</u> 300
Exempt administrative environmental	\$50
Information services	\$ <u>100</u> 50
Project document preparation	\$ <u>100</u> 50
Property Inspection	\$350
Schedule of values	\$100
<u>Administrative Cost Only per CONTRACT</u>	
Affirmative marketing plan	\$ <u>100</u> 50
Financial management	\$ <u>150</u> 75
Procurement of professional service provider	\$ <u>200</u> 300
Recordkeeping	\$ <u>400</u> 75
<u>Project Cost Only per PROJECT</u>	
Credit Report	\$50
Homebuyer Counseling	\$300

(b) The allowable activities for each cost category are defined as follows:

(1) Affirmative marketing plan is the cost incurred to develop a written plan for ensuring that marketing, advertising, and outreach activities are provided to all protected classes and to the populations being served by the Contract. This includes the development of advertising materials and hand-outs and public presentation;

(2) Application intake and processing is the cost incurred for the completion of all intake application documentation and forms, verification of all sources of income, employment verification, asset verification and imputation and re-verification of all expired documentation. This includes all Department-required forms, worksheets, addendums and certifications required for the household's application intake and processing;

(3) Appraisal is the cost incurred in obtaining appraisals prepared by an independent, state-licensed real estate appraiser;

(4) Construction and disbursement documentation preparation is the cost incurred in the preparation of forms required by the Department that are related to construction or disbursement documentation and include electronic entry into the TDHCA Contract System, support documentation preparation and completion of Department-required forms including, but not limited to, the Contractor Request for Payment, Lien Waiver Affidavits, Final Bills Paid Affidavit and Certification of Completion;

(5) Environmental review is the cost incurred for the preparation and completion of all required forms, checklists and certifications, publication activities and Request for Release of Funds and Finding of No Significant Impact and Eight Step Process, if applicable;

(6) Exempt administrative environmental is the cost incurred in the completion of an exemption form for administrative expenses;

(7) Final inspection is the cost incurred in performing a final walk through and physical inspection of the assisted housing unit noting any deficient items that must be corrected before final payment and the completion of any Department-required forms or checklists.

(8) Financial management is the cost incurred in the management of all project and program accounts using a fund type accounting system that can trace each expense to an individual Project or to the program as a whole and ensures compliance with OMB circulars. A written or printed journal of all transactions including receipt and disbursement of funds should be included;

(9) Homebuyer counseling is the cost incurred to provide a minimum of eight hours of counseling provided by a certified homebuyer counselor. Instruction may include, but is not limited to, financial management, credit management, homebuyer education, and/or job training;

(10) Information services is the cost incurred to provide information to homeowners, prospective homebuyer and/or tenants. These may include the following:

(A) Fair housing--cost incurred to provide information to prospective homebuyers and tenants (not applicable to OCC);

(B) Loan procedures--cost incurred to provide information pertaining to fair lending practices, loan requirements, and closing procedures to participants in OCC and HBA (not applicable to TBRA);

(C) Warranty (Project cost only)--cost incurred to provide an explanation of the builder's homeowner warranty (must comply with Texas Residential Construction Commission requirements) to households assisted with Reconstruction or Rehabilitation activities;

(D) Lead-based paint--cost incurred to provide lead-based paint hazard notification to all applicants in all HOME Program Activities;

(11) Initial inspection is the cost incurred in the completion of the initial physical inspection of the housing unit to be assisted and Department-required forms and checklists. The inspection must identify all health and safety concerns regarding the housing unit, all sub-standard conditions that require repair or replacement to comply with applicable codes and standards and the TMCS, and provide enough detail to complete a work write-up, and if applicable, a justification of Reconstruction;

(12) Plans are the cost incurred to obtain a complete set of plans shall include a site plan for each housing unit showing known easements and lot set-backs, a floor plan, a front elevation, a foundation plan, a plumbing and electrical plan and a mechanical and energy efficiency plan. If these plans are purchased from or donated by a licensed architect or engineer they should bear

the appropriate stamp. While builders may require less complete plan sets and it is understood that some of these details may be combined on the same sheet, any plans set that does not include this level of detail will be pro-rated accordingly;

(13) Pre-construction conference is the cost incurred in conducting a meeting with the homeowner and building construction contractor to explain and discuss the construction process being undertaken. This meeting should include a description of construction activities and procedures, expectations of the final product, an explanation of the roles and duties for all parties, detail and review of the timelines and contractual milestones, required access and use of utilities, provision of appropriate security measures, selection of products and improvements to be provided, and a discussion of appropriate handicap accessibility features;

(14) Procurement of contractor is the cost incurred in the preparation of bid documents, pre-bid advertising, conducting of the pre-bid conference, the verification of required builder certifications, conducting of the walk-through of housing units to be assisted, conducting checks of bidder qualifications and references, conducting bid opening including keeping minutes and tabulations, the review of the bids, conducting contract negotiation and verification, the notification of award and the completion of any Department-required forms;

(15) Procurement of professional service provider is the cost incurred to procure a professional service provider (i.e. consultant). The Administrator must use negotiated bidding procedures for the procurement of professional service providers (i.e. consultants) and provide for independent procurement of professional service providers (i.e. consultants may not participate in any aspect of procuring consultants);

(16) Progress inspections is the cost incurred in performing inspections at logical points during the construction process or prior to approving each draw that verify quality and completeness of work to date and are signed by the inspector, homeowner, and Contract Administrator. Logical points of inspection include but are not limited to:

(A) Foundation--prior to pouring a monolithic foundation and after initial curing or alternatively after completion of piers,

(B) Framing--completion of framing,

(C) Rough-in--after completion of electrical and plumbing but before covering and placement of fixtures, and

(D) Substantial completion;

(17) Progress inspections should each require at least one hour and include inspection forms, filed notes, sketches, and/or ~~and~~ photographs adequate for verification of that stage of completion;

(18) Project documentation preparation is the cost incurred in the preparation of forms required by the Department that are not related to income eligibility or construction and include, but are not limited to, the TDHCA Contract System Access Request, Direct Deposit Authorization, Texas Application for Payee Identification, and Audit Certification;

(19) Property inspections is the cost incurred to perform an inspection of the subject property in order to certify that no sub-standard conditions exist according to TMCS using the Department's forms;

(20) Punch list verification inspection is the cost incurred in performing a final physical inspection of the assisted housing unit to verify the completion of punch list items only;

(21) Recordkeeping is the cost incurred to develop, prepare and maintain a recordkeeping system in the order prescribed by the Departments which includes three separate types of filing for program, environmental, and project areas;

(22) Schedule of values is the cost incurred to prepare a line-item description of each work activity and its associated cost and enter electronically into the Department's Contract System as the budget;

(23) Specification manual is the cost incurred to prepare or obtain a single generic manual to be used for multiple sites or projects detailing the methods and materials to be used on all construction jobs. The homeowner's choices may be included but should be detailed for each job. All trade areas and construction activities must be included in the specification manual. In cases where there are no local requirements for specifications and TMCS are used, no additional cost should be requested for disbursement;

(24) Work write-up is the cost incurred to prepare or obtain a complete description of the work activity specific to Rehabilitation required to bring the entire structure into compliance with the applicable construction standards. It must include all units of measurement, materials to be used, methods of application, and all necessary construction detail and/or may be used in conjunction with a specification manual; and

(25) Work write-up/cost estimate is the cost incurred in performing the Feasibility Analysis which is a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit and in the completion of Department-required forms. The analysis must include a summary of the steps and costs required to correct the deficiencies identified in the initial inspection.

(c) Notwithstanding the limitations of subsection (a) of this section, the total of all soft costs for each Project or Activity is limited based on the maximum amount of assistance allowed for the housing unit and is calculated as a percentage of the hard or project costs for each Activity or Project. For example, a household that is eligible to be assisted with an OCC Reconstruction amount of assistance of \$67,500, the maximum amount of total soft costs is derived by dividing \$67,500 by 1.09 and then subtracting this amount from \$67,500, which equals \$5,573.39. There is no minimum percentage for soft costs per housing unit. These percentages are the maximums allowed per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation.

Figure 10 TAC 53.85(c)

Type of Activity		Max Percentage for soft costs based on Hard Costs or Project Costs	<u>Max Percentage for administrative costs based on Total Project Costs</u>
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	Max Assistance		
	\$60,000	<u>16%</u> 10%	<u>2%</u>
	\$67,500	<u>14%</u> 9%	<u>2%</u>
	\$75,000	<u>12%</u> 8%	<u>2%</u>
OCC or HBA – Rehabilitation only		<u>24%</u> 18%	<u>2%</u>
OCC – Reconstruct (replacement) with MHU	Max Assistance		
	<u>\$60,000</u>	<u>12%</u>	<u>2%</u>
	<u>\$67,500</u>	<u>10%</u>	<u>2%</u>
	<u>\$75,000</u>	<u>8%</u>	<u>2%</u>
HBA – Acquisition only for contract for deed conversion		10%	<u>4%</u>
HBA – Downpayment and closing costs only		10%	<u>4%</u>

§53.86. Performance Reviews and Sanctions.

The Department may review and monitor the performance of Administrators and Development Owners in carrying out its responsibilities in accordance with the Contract, this Chapter, the Final Rule and any other applicable federal and state requirements.

(1) Performance reviews. If the Department determines that the Administrator or Development Owner has not met any terms of the Contract or benchmark requirements, the Administrator or Development Owner will be given notice of this determination and an opportunity to demonstrate, within the time prescribed by the Department and on the basis of substantial facts and data at the Department's discretion, that it has done so. If Administrator or Development Owner fails to demonstrate to the Department's satisfaction that it has met any terms of the Contract or benchmark requirements, the Department will take corrective or remedial action up

to and including termination of the Contract, deobligation of funds and denial of any future Contract to the Administrator or Development Owner.

(2) Corrective and remedial actions. Corrective or remedial actions for a performance deficiency are designed to prevent a continuation of the deficiency; mitigate, to the extent possible, its adverse effects or consequences; and prevent its recurrence. The Department will instruct the Administrator or Development Owner to submit and comply with proposals for action to correct, mitigate and prevent a performance deficiency, including but not limited to:

(A) preparing and following a schedule of actions for carrying out the affected activities, consisting of timetables necessary to implement the affected activities;

(B) canceling or revising Activities likely to be affected by the performance deficiency, before expending HOME funds for additional Activities;

(C) repayment of HOME funds that were expended on ineligible Activities;

(D) suspending disbursement of HOME funds for affected Activities and/or the total Contract amount; and

(E) sanction the Administrator or Development Owner from receiving funds for two (2) years from the date of monitoring report.

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval to publish a final rule 10 TAC Chapter 60, Subchapter B, Accessibility Requirements in the *Texas Register*.

Requested Action

Approve, approve with amendments or deny the final rule for publication in the *Texas Register* relating to the 504 Accessibility standards in Chapter 60 Subchapter B.

Background and Recommendations

In 2006, the Board requested that the staff look at the standards required under Section 504 related to accessibility standards for housing developed with Department funds. After internal discussions, it was recommended that outside counsel be hired to develop a compendium with references and examples of the requirements under state and federal law to comply with the 504 requirements.

After receiving approval from the Attorney General to contract with a private attorney, the General Counsel had discussion with a variety of people to determine candidates. After reviewing resumes and receiving input, Sara Pratt was hired. Ms. Pratt is a former D.C. HUD attorney serving in several key roles relating to accessibility. In addition, she is a frequent lecturer on the subject at national events. She is a sought after and respected consultant with both advocates and people seeking to develop policies. A copy of Ms. Pratt's resume is attached to this write-up for reference. Ms. Pratt began work on the draft rule and submitted the first draft for staff to review. The Executive team reviewed the rule along with other interested staff and requested additional examples to be included and a few clarifications.

Upon receiving the amended draft from Ms. Pratt, the Department, as requested by the Board, arranged a meeting with interested developers based on guidance by TAAHP. That meeting was held in July of 2007. The item was also placed on the Disability Workgroup's Agenda in August and was discussed there. The draft today represents a few changes made during the discussions and further clarifications.

The staff considers the proposed rule to meet the request of the Board to help wade through the gray areas surrounding 504 issues and establish what is required under today's laws. The rule attempts to be a practical guide and given the comments in our conversations with the interested communities, achieves this purpose. However based on some of these same discussions, there will be requests for additions to be added to this policy. Staff believes it has met the Board's request and delivered a comprehensive, user friendly policy that is well sourced and well supported.

The rule was published in the *Texas Register* and received one comment from Brian East representing Advocacy, Inc., and a letter agreeing with Mr. East from Jean Langendorf. Mr. East's comments were based on an earlier version of the rule rather than the published version. We conformed Mr. East's comments and requested that he review that our alterations to match the published rule were accurate to his original comment. He confirmed this and so the comments below reflect consistency with the

published rule. Our outside legal counsel reviewed the comments and provided a reasoned response based on the comments presented. They are:

Comment: The language in §60.201(b) tracks the general anti-discrimination mandate in §504, but the TDHCA regulations do not include anything similar tracking the general FHA anti-discrimination requirements, or even anything tracking the specific FHA provisions regarding accessibility. The difference is important because, for example, the “solely by reason of” language in the TDHCA regulations accurately tracks the §504 language, but it is not the correct causation standard applicable to FHA claims, which is much less restrictive than sole cause. (footnotes deleted)

Staff response: Agreed. Change made in text where appropriate. This was a persistent problem with a regulation that was developed to focus on §504 but also had to be consistent with the Fair Housing Act.

Comment: It would seem to improve the clarity of §60.201(c) to add a comma before the word ‘and/or’, and to add the word ‘to’ after the word ‘and/or’.

Staff Response: Agreed. Change made in text where appropriate.

Comment: It would also seem to improve the clarity of §60.201(d) if the text were broken into subpoints, such as:

(a) Except as set forth in subpart (b) below, this subchapter does not apply to entities that only participate in the Housing Choice Voucher or the Enhanced Voucher programs and receive no other federal financial assistance.

(b) All entities that participate in the Housing Choice Voucher or the Enhanced Voucher programs are covered by the Fair Housing Act’s prohibitions against discrimination, including the requirements that such entities:

(1) permit reasonable modifications to existing premises;

(2) make reasonable accommodations to rules, policies, practices, or services, when such accommodations may be necessary to afford such person equal opportunity to use and enjoy a dwelling; and

(3) for those properties that were designed and constructed for first occupancy after March 13, 1991, comply with the Fair Housing Act’s provisions for accessible design and construction of new multifamily housing.

Staff Response: No substantive change recommended. Proposed changes incorporated in slightly different format.

Comment: Assuming that there may be entities that contract with the state for the purpose of providing housing services (or property management services and the like), in order to prevent them from arguing that they are exempted from these regulations, §60.201(e) should be edited to add the words ‘non-housing’ before the word ‘services’.

Staff Response: Staff recommends no change and believes the rule is clear.

Comment: There may need to be a definition of “entity” in §60.202 in order to prevent someone from thinking that §60.201(d) applies to tenants or ultimate purchasers.

Staff Response: Staff believes the proposed change would create more problems than it would resolve. The current regulation is clear in that it applies to recipients and subrecipients.

Comment: Numbering (as subparts) those terms being defined in §60.202 would improve the usefulness of the regulation because the definitions could then be cited much more easily.

Staff Response: Agreed. Change made in text where appropriate.

Comment: There is a problem with the second sentence of the definition of “Disability” in Proposed §60.202. That wording accurately describes the limitation of the definition of the term under the Fair Housing Act, but that language is not found in the definition set out in HUD’s §504 regulations, and is in fact inconsistent with it. (footnote eliminated)

Comment: Staff does not accept this comment as this provision is contained in the Fair Housing Act, and, as noted in the commenter’s footnote 6, it is broader than the language found in HUD’s §504 regulations. However, this provision of the Fair Housing Act applies to the housing covered by this regulation. It provides broader protection for housing providers in dealing with applicants or residents whose tenancy presents a threat to the health or safety, or risk of damage to the property, of others.

“Nothing in this subsection requires that a dwelling be made available to an individual whose tenancy would constitute a direct threat to the health or safety of other individuals or whose tenancy would result in substantial physical damage to the property of others.” 42 USC §3604(f)(9).

Comment: We are unaware of clear authority for the final sentence in the definition of “Federal financial assistance” in §60.202, that receipt of federal tax credits is not federal financial assistance. That language does not appear in the §504 regulation that is cited as the source of this definition; thus, leaving it out would conform the regulation more closely to federal law.

Staff Response: This section is eliminated based on state law. Texas Government Code §2306.6730 specifically requires low income tax credit developments to meet §504 requirements.

Comment: With regard to the definition of ‘Multifamily housing project’ in §60.202 we are not aware of what contribution the cited case makes. The definition could also be improved by deleting in the first sentence the words ‘under a single project number’ (because that language is already in the second sentence), and by adding the words ‘Federal financial’ before the word ‘assistance’ in the second sentence (because that tracks the referenced federal regulation more closely, and because without these words the reference to ‘assistance’ could be confusing).

Staff Response: The cited case provides the authority for the proposition that a “project” includes all units, wherever located, if they are covered by a single contract. This was not clear from HUD’s regulations until the ruling in this case, which HUD has followed as a policy matter.

As to the specific suggestions, they are accepted and the changes have been made in the text.

Comment: §60.203(c) is incomplete in that it does not point out that HUD may require a higher percentage of accessible units. We therefore recommend that the following be included after the first paragraph in this section:

If HUD prescribes a higher percentage or number of accessible units pursuant to its authority under 24 CFR §8.22(c) or §8.23(b)(2), the recipient must comply with such higher percentage or number.

Staff Response: No change made. If federal rules change, the state rule will be changed to reflect that change if required.

Comment: §60.203(c) excludes home ownership programs from the 5%-2% rule. Although that position is supported by the district court holding cited in the source, we see no support for that exclusion in either § 504, its implementing regulations, or the HUD Handbook provision also cited there. We thus recommend that this exclusion be omitted until further guidance is received.

Staff Response: HUD has not issued any clarifying interpretation on this issue and the draft rule was published with this language included. The change suggested by the commenter would be too significant a policy change to adopt in final rules. The suggestion could be considered in future rules or when guidance is provided by HUD.

Comment: In the Example 203(1) in §60.203, in order to use modern, “people first” language, we recommend deleting the words ‘is disabled’ and replacing them with the words ‘has a disability.’

Staff Response: Agreed. Change made in text where appropriate.

Comment: We suggest adding the following sentence to the end of the first paragraph under §60.204(a)(1): “In choosing among available methods for meeting the requirements of this section, the recipient shall give priority to those methods that offer programs and activities to qualified individuals with disabilities in the most integrated setting appropriate.” This more closely track the relevant §504 regulation, and more clearly links the provision to the §504 integration mandate. (footnote eliminated)

Staff Response: Agreed. The authority for this provision is 24 CFR §8.4(d), “Recipients shall administer programs and activities receiving Federal financial assistance in the most integrated setting appropriate to the needs of qualified individuals with handicaps.” Appropriate changes have been made in the text.

Comment: We also suggest providing a separate source citation for this first paragraph under §60.204(a)(1), namely:

Source:24 C.F.R. §8.21(c)(2)(I); HUD Handbook 4350.3, §2-35(E)(3).

Staff Response: Staff does not recommend change. The appropriate authority is 24 CFR §8.4(d). The regulatory authority at 24 CFR §8.21 addresses non-housing programs. The citation to 24 CFR §8.4(d) is, however, incorporated in the text.

Comment: As written, Example 204(1) following §60.204(a)(1) is not really relevant to the paragraph above it. It better exemplifies the part of the fundamental alteration analysis that provides that if accessibility would result in an undue financial and administrative burden, the recipient must still take other reasonable steps to accessibility. We suggest that this provision be made express, and therefore also suggest that this example be moved to that location. We also suggest that this Example be reworded to more closely conform to its apparent source, namely the 2d Example in HUD Handbook 4350.3, §2-43(D). The reason is that as currently written in the Proposed Rule, this Example is confusing because it might incorrectly suggest that other functions that occur in the office (e.g., arranging to see available units, making complaints, attending tenant meetings, etc.) do not have to be made accessible.

Staff Response: Although a rental office may also be covered by the Americans with Disabilities Act, Title III, see also Sapp v.MHI Partnership, Inc., 199 F. Supp. 2d 578 (S. D. TX 2002), the example that was selected does not invoke ADA title III coverage because it is an older building, where removal of barriers was not feasible, and where no renovations were involved. A new example has been provided which does not raise the undue financial and administrative hardship issue in the same way.

EXAMPLE: A resident who uses a wheelchair wishes to participate in the Family Self-Sufficiency program at the local housing authority. However, the sessions are held in an older building with three steps up to the front door, and inaccessible public restrooms. The resident requests that a ramp be constructed and that the public men's bathroom have an accessible stall added. Instead, the housing authority moves the site for the Family Self Sufficiency program to an accessible location.

Comment: Although the language in the first paragraph under §60.204(a)(2) is accurate, it is incomplete in describing the undue burden analysis, and we believe it is thus misleading. In addition, we believe the paragraph could be improved by adding a source citation to it. Also, we believe that the undue burden analysis warrants its own heading. Finally, we believe that the subparagraphs following the first paragraph need some context, are not completely accurate, and should have a citation to authority.

Staff Response: The submission by the commenter includes the identical language contained in the proposed regulation, plus additional language. There is no objection to the inclusion of citations as suggested. There is also no objection to the inclusion of the more specific proposed language in the undue burden section or the provision regarding taking other steps to provide accessibility, which fairly state HUD's position on this issue. Changes made in the text where appropriate.

Comment: In Example 204(2) following §60.204(a)(2), we recommend that in the third line, the words 'the units' be replaced with the words 'any unit'. This will improve its accuracy and consistency. We also recommend that the last sentence reflect some outcome. This will make it more useful, and more consistent with its apparent source, HUD Handbook 4350.3, Exhibit 2-6, ¶ 3.

Staff Response: Agreed. Changes made in the text where appropriate.

Comment: In Example 204(3) following §60.204(a)(2), we recommend that in the fourth line, the word ‘undue’ be replaced before the word ‘financial’. This will improve its accuracy and consistency. We also recommend that the example include the fact that funding was not otherwise available, and that it also point out that the tenant must be allowed to make accessibility modifications at his or her own expense. This will make the example more accurate and complete, and also more consistent with HUD Handbook 4350.3.

Staff Response: Agreed to the first and third changes recommended. Changes made in the text where appropriate. As to the second change, this seems unnecessary, given the opening reference to the first example. In addition, the language in the second example has also been revised by changing the word “may” to “should” in the sixth line to clarify that an owner who identifies an undue burden as defined in the proposed regulation must still examine other alternative approaches to accessibility. This is consistent with judicial precedent interpreting §504 and the Fair Housing Act.

Comment: In Example 204(4) following §60.204(a)(2), we recommend that the fourth sentence (referencing the 5% requirement) be deleted and replaced with:
The property is not required to make a unit fully compliant with UFAS. But the property must still take all other steps necessary to comply with UFAS that will not result in an undue financial hardship.

This will make the example more accurate and complete, and also more consistent with HUD Handbook 4350.3.

Staff Response: No changes recommended. The example as written is MORE explicit than the suggested language.

Comment: In Example 204(6) following §60.204(a)(2), to improve its accuracy, we recommend that the final sentence be changed to read:

No additional rehabilitation for accessibility need be conducted unless HUD requires a higher percentage of accessible units pursuant to its authority under 24 C.F.R. §8.22(c) or §8.23(b)(2).

Staff Response: No change made. If federal rules change, the state rule will be changed to reflect that change if required.

Comment: The citation in §60.204(b) appears to be in error; it should read:

Source: HUD Handbook 4350.3, §2-37(E).

Staff Response: The commenter is correct. Change made in the text.

Comment: The citation in §60.204(c) appears to be in error; it should read:

Source: HUD Handbook 4350.3, Section 2-37(D).

Staff Response: The commenter is correct. Change made in the text.

Comment: The citation in §60.204(d) is correct, but it could also include a reference to HUD Handbook 4350.3, Section 2-37(B).

Staff Response: Agreed. Change made in Text.

Comment: We disagree with the Example following §60.204(d), in that it would appear to suggest that no other elements need be made accessible if a certain element cannot be made to conform to UFAS, and it also contradicts HUD Handbook 4350.3, §2-37(c).

Staff Response: A final sentence, consistent with HUD Handbook 4350.3, §2-37 (C) has been added to add more clarity to the example.

Comment: We believe that §60.205 can be simplified, and made to track federal law more closely, by editing it to read:

If alterations are undertaken to a project that has 15 or more units, and the cost of the alterations is 75 percent or more of the replacement cost of the completed facility, the recipient must make a minimum of 5% of the units in the property accessible for persons with mobility impairments by full compliance with UFAS, and must make a minimum of 2% of the units accessible for persons with visual and hearing impairments.

Staff Response: No change recommended. The draft language paraphrases the language in the referenced Handbook section. The introductory language makes it clear that properties built before 1988 are subject to these provisions. Properties built after 1988 have an absolute requirement to meet the 5% and 2% minimums. See §60.203(3). The suggested language could be misread to suggest that only properties making alterations must comply, and that is not accurate for properties built after 1988, which are subject to an absolute requirement to comply.

Comment: With regard to the numbered paragraphs in §60.206, we believe that separate citations to source material after each might improve this section. Those source citations might include:

- For ¶ 1, 24 C.F.R. § 8.23(b)(1); HUD Handbook 4350.3, Section 2-35(E)(2)(a)
- For ¶ 2, 24 C.F.R. § 8.23(b)(1); HUD Handbook 4350.3, Section 2-35(E)(2)(b)
- For ¶ 3, 24 C.F.R. § 8.23(b)(1); HUD Handbook 4350.3, Section 2-35(E)(2)(c)
- For ¶ 4, HUD Handbook 4350.3, Section 2-35(E)(2)(c)(1)
- For ¶ 5, HUD Handbook 4350.3, Section 2-35(E)(2)(c)(2)
- For ¶ 6, 24 C.F.R. § 8.3

Staff Response: The existing citation is retained for this section of the proposed rule; one citation to HUD Handbook 4350.3 Section 2-35 (E) has been added.

Comment: With regard to subparagraph 5 in §60.206, omitting the words 'but not required' would more closely conform the wording to its source, HUD Handbook 4350.3, §2-35(E)(2)(c)(2).

Staff Response: Staff believes the language as proposed is accurate.

Comment: In the fifth Example in §60.206, we believe the example might be improved by adding at the end: “Reroofing is generally not considered an alteration.” This would make the example conform more closely to 24 C.F.R. §8.3.

Staff Response: Agreed. Text has been changed to reflect this recommendation.

Comment: The sixth (and last) Example in §60.206 contains an error. The words ‘replacing the units’ should be deleted and replaced with ‘replacing the completed property’.

See HUD Handbook 4350.3, §2-35(E)(1).

Staff Response: Agreed. Text has been changed to reflect this recommendation.

Comment: §60.207, paragraph (a)(1) contains errors. It appears to allow the project to choose to make just one unit accessible, even if that is less than 5%. It also omits the 2% requirement. Finally, it applies the 5% rule only to the newly constructed units in a larger project, even if the rules regarding Alterations would require that 5% of the entire project be accessible. To address these issues, this entire Rule might be amended to read:

- 1) A project consisting of all newly constructed multifamily housing of five or more units shall comply with the accessibility requirements in §60.203(c) above.
- 2) A project consisting of some existing multifamily housing units, together with some newly constructed multifamily housing of five or more units (e.g., due to demolition, addition of units, or replacement of uninhabitable units) shall be designed and constructed to provide accessibility to persons with disabilities, as follows:
 - a) A minimum of 5% of the new units (but not less than one unit) shall be made accessible for persons with mobility impairments, and an additional two percent of the units (but not less than one unit) shall be made accessible for persons with hearing or vision impairments.
 - b) In addition to the above, because such construction is also governed by §§60.205 and 206 above, more than 5% of the new units may need to be made accessible for persons with mobility impairments, and more than 2% of the units may need to be made accessible for persons with hearing or vision impairments, if necessary to insure that the property as a whole has 5% of its units that are accessible for persons with mobility impairments, and 2% of its units that are accessible for persons with hearing or vision impairments.
- 3) All accessible units must be on an accessible route, and must comply with the UFAS requirements.

Staff Response: This comment required significant research and thought to reach an appropriate conclusion, including informal consultation with a Washington, D.C. HUD official. Neither the draft language nor the proposed language satisfactorily addresses this question. In response to the comments, proposed §60.207 has been divided into two parts, one part to address situations where as a result of demolition or replacement of uninhabitable units, new free-standing units are constructed. In that situation, new construction requirements will apply, assuming that the project has more than five units. Free standing new construction must have at least 5% of its units accessible to people with mobility impairments and an additional 2% of units accessible to people with sensory impairments.

Proposed §60.203(c) has been changed to make it clear that new construction requirements apply when units are replaced because they have been demolished or are uninhabitable.

A different rule applies to newly constructed units that are additions to existing units and structurally attached to them. For units which are additions to an existing project, the 5% and the 2% requirements must be met for the entire project after the addition is completed. So if a property does not meet the 5%/2% requirements at the time units are added through an addition, the units in the addition must contain enough UFAS-compliant units to meet the 5% and 2% requirements considering all of the units that will be in the project when the addition is completed. At the same time, if the property already meets the 5% and the 2% requirements in existing units, in some circumstances no units in the addition will be required to be accessible. For example, to illustrate the first point, a property has 100 units and none comply with UFAS. Twenty units are being added as a new wing. In this case 6 of the 20 units in the addition must be accessible to people with mobility impairments through compliance with UFAS because there will be 120 units in the project after the addition is completed and 5% of 120 is 6. For the same property, 2% of the 120 units, or 3, of the units must comply with UFAS requirements for people with sensory impairments.

Because units that are part of an addition that are structurally attached to existing housing are considered part of the original project, this requirement applies to additions of one or more units.

Comment: In §60.207, the organization of subpart (b) seems problematic, and may include language that is inappropriate for regulatory use. We suggest reorganizing and rewording this material as follows:

2) All covered multifamily housing that is newly constructed for first occupancy, including additions of four or more units, must be accessible as defined below, regardless of funding. Such covered units must also be on an accessible route.

(a) In a building with four or more units that has an elevator, all multifamily housing units are covered.

(b) In a building with four or more units without an elevator, all of the ground floor units are covered.

(c) As used in this Rule, “accessible” means designed and constructed to comply with 24 C.F.R. §100.205(c), and with an objective accessibility standard that provides at least as much accessibility as the Fair Housing Act Accessibility Guidelines.

(d) Compliance with a set of standards identified by the U.S. Department of Housing and Urban Development as meeting or exceeding the Fair Housing Act Accessibility Guidelines will provide compliance with this Rule’s accessibility requirements. Compliance with local building code requirements does not assure compliance with this Rule, although compliance with the ANSI A117.1-1986 will satisfy the requirements of this Rule.

The Department may also wish to include 24 C.F.R. §100.201 in its source citation.

Staff Response: Staff believes the suggested language is less clear than the language in the draft rule. Small language changes have been made consistent with the plain English explanation of these requirements found on the HUD-approved Fair Housing FIRST website.

Comment: To insure that the language in §60.209 is clear that using and enjoying a dwelling means something beyond merely living in the dwelling, and to more closely conform this Rule to the source material in HUD Handbook 4350.3, §2-39(A)(3) and (B), the subparagraphs under paragraph (a) should be edited to state:

- a) Participate fully in a program;
- b) Take advantage of a service;
- c) Live in a dwelling; or
- d) Use and enjoy a dwelling.

Staff Response: There is no objection to this suggestion. Change made in the text.

Comment: We think that §60.209(d) could be clarified by replacing the words ‘although not those requested’ with the words ‘even if not requested’.

Staff Response: Text has been changed to read “although not requested.”

Comment: We think that §60.209(e) could be clarified by adding ‘, increase rent,’ before the words ‘or place conditions’.

Staff Response: Staff believes the change is not necessary. Charging a fee includes increasing rent.

Comment: In the second Example in §60.209, in order to use modern, “people first” language, we recommend deleting the words ‘disabled residents’ and replacing them with the words ‘residents with disabilities’.

Staff response: Agreed. Change made in text.

Comment: In the final Example in §60.209, in order to use modern, “people first” language, we recommend deleting the words ‘is a quadriplegic’ and replacing them with the words ‘has quadriplegia’.

Staff Response: Change in text to “resident with quadriplegia.”

Staff Recommendation: Staff recommends approval of this rule for publication in the *Texas Register* for final adoption of the rule.

Texas Administrative Code

Title 10 Community Development
Part I Texas Department of Housing and Community Affairs
Chapter 60 Compliance Administration
Subchapter B Accessibility Requirements

§60.201.Scope.

(a) The purpose of this subchapter is to provide guidance about and to ensure compliance with the requirements of §504 of the 1973 Rehabilitation Act and the Fair Housing Act in the alteration or construction of multifamily housing projects by recipients of funding from the Texas Department of Housing and Community Affairs ("the ~~department~~Department").

(b) No ~~otherwise-qualified~~ individual with a disability shall, ~~solely~~ by reason of their disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance from the Department of Housing and Urban Development through the department. (*Source: 24 CFR §8.1(a), 24 CFR §8.20.*)

(c) This subchapter applies to all of the programs and activities of recipients of federal financial assistance from the Department of Housing and Urban Development through the programs and activities of the department and/or any other program required to ~~meet-comply with~~ §504 of the 1973 Rehabilitation Act under state law. (*Source: Texas Government Code §2306.6722 and §2306.6730, 24 CFR §8.2. See also the Civil Rights Restoration Act of 1987, 20 U.S.C. §794 (b), March 22, 1988, (the amendments "make clear that discrimination is prohibited throughout entire agencies or institutions if any part receives Federal financial assistance. "S. Rep. No. 64, 100th Cong., 2d Sess. 4 (1988) and Texas Government Code Chapter 2306.)*)

(d) Except as set forth in paragraph (b) of this subsection, this subchapter does not apply to entities that only participate in the Housing Choice Voucher or the Enhanced Voucher programs and receive no other federal financial assistance.

(e) All entities that participate in the Housing Choice Voucher or the Enhanced Voucher programs are covered by the Fair Housing Act's prohibitions against discrimination, including the requirements that such entities:

(1) permit reasonable modifications to existing premises;

(2) make reasonable accommodations to rules, policies, practices, or services, when such accommodations may be necessary to afford such person equal opportunity to use and enjoy a dwelling; and

(3) for those properties that were designed and constructed for first occupancy after March 13, 1991, comply with the Fair Housing Act's provisions for accessible design and construction of new multifamily housing. (See §60.207 (b), (c) and (d) of this subchapter.) paragraph (g) of this subsection.)

~~This subchapter does not apply to entities which only participate in the Housing Choice Voucher or the Enhanced Voucher programs and receive no other federal financial assistance, except that these entities are covered by the Fair Housing Act's prohibitions against discrimination, including the requirements that such entities permit reasonable modifications to existing premises; make reasonable accommodations to rules, policies, practices, or services, when such accommodations may be necessary to afford such person equal opportunity to use and enjoy a dwelling; and, for those properties that were designed and constructed for first occupancy after March 13, 1991, compliance with the Fair Housing Act's provisions for accessible design and construction of new multifamily housing. See §60.207 of this subchapter. (Source: 24 CFR §8.3 Definitions: Definition of Recipient.)~~

~~(ef) This subchapter does not apply to contracts for the procurement of goods or services by the department. (Source: 24 CFR §8.3, Definition of Federal Financial Assistance.)~~

(fg) There are additional requirements for compliance with §504 of the 1973 Rehabilitation Act; Title VI of the Civil Rights Act of 1964; the Fair Housing Act; the Americans with Disabilities Act; and other civil rights laws, regulations and Executive Orders by recipients of federal financial assistance. This subchapter addresses only the requirements relating to physical accessibility in new construction, alterations, and reasonable accommodations under §504 and the Fair Housing Act. Other disability-related requirements include:

(1) Operating housing that is not segregated based upon disability or type of disability, unless authorized by federal statute or executive order;

(2) Providing auxiliary aids and services necessary for effective communication with persons with disabilities; and

(3) Operating programs in the most integrated setting appropriate to the needs of qualified individuals with disabilities. See 24 CFR Part 8 for complete information. (Source: 24 CFR §8.4.)

(gh) These rules are to be performed in conjunction with the rules found in Chapter 60, Subchapter A, of this title.

§60.202. Definitions.

(a) The following terms are used for purposes of this subchapter:

(1) Accessible route--A continuous unobstructed path connecting accessible elements and spaces in a facility or building that complies with the space and reach requirements of an applicable accessibility standard. In cases of rehabilitation, an accessible route is not required to serve units that are occupied by persons with hearing or vision impairments. (Source: 24 CFR §8.3 Definitions. Definition of Accessible Route.)

(2) Alteration--Any physical change in a facility or its permanent fixtures or equipment. It includes, but is not limited to, remodeling, renovation, rehabilitation, reconstruction, changes or rearrangements in structural parts and extraordinary repairs. It does not include normal maintenance or repairs,

reroofing, interior decoration, or changes to mechanical systems. (Source: 24 CFR §8.3 Definitions. Definition of Alteration.)

(3) Disability--A physical or mental impairment that substantially limits one or more major life activities; or having a record of such an impairment; or being regarded as having such an impairment. Nothing in this subpart requires that a dwelling be made available to an individual whose tenancy would constitute a direct threat to the health or safety of other individuals or whose tenancy would result in substantial physical damage to the property of others. (Source: 24 CFR §8.3 Definitions. Definition of Individual with Handicaps. 24 CFR §§100.201, 202 (d).)

(4) Federal financial assistance--Any assistance provided or otherwise made available by the department through any grant, loan, contract or any other arrangement, in the form of:

(A) Funds;

(B) Services of personnel; or

(C) Real or personal property or any interest in or use of such property, including transfers or leases of the property for less than fair market value or for reduced consideration. (Source: 24 CFR §8.3 Definitions. Definition of Federal Financial Assistance.)

~~(D)~~(5) Multifamily housing project--A project identified under a single project number that includes five or more dwelling units. It does not include a single family development. A project includes the whole of one or more residential structures and appurtenant structures, equipment, roads, walks, and parking lots which are covered by a single contract or application for federal financial assistance, or which are treated as a whole for processing purposes, whether or not located on a common site. (Source: 24 CFR Definitions. Definition of multifamily housing project and definition of project. ADAPT v. Philadelphia Housing Authority, 2000 U.S. Dist. LEXIS 5380 (E.D. PA 2000).)

~~(E)~~(6) Recipient--Includes a subrecipient and means any State or its political subdivision, any instrumentality of a State or its political subdivision, any public or private agency, institution, organization, or other entity, or any person to which Federal financial assistance is extended for any program or activity directly or through another recipient, including any successor, assignee, or transferee of a recipient, but excluding the ultimate beneficiary of the assistance. Recipients include private entities in partnership with recipients to own or operate a program or service. (Source: 24 CFR §8.4 Definitions. Definition of recipient.)

~~(F)~~(7) Replacement cost--The total development cost for construction and equipment for a newly constructed housing facility of the size and type being altered. Construction and equipment costs do not include the cost of land, demolition, site improvements, non-dwelling facilities or administrative costs for project development activities. (Source: 24 CFR §8.4 Definitions. Definition of replacement cost.)

§60.203. General Requirements.

(a) A unit is not considered to be fully accessible unless it meets the requirements of the Uniform Federal Accessibility Standards (UFAS). All units that are accessible to persons with mobility impairments must be on an accessible route. (Source: HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs, §2-22 (C)(4).)

(b) Recipients must give priority to methods that offer housing in the most integrated setting possible (i.e., a setting that enables qualified persons with disabilities and persons without disabilities to interact to the fullest extent possible). To the maximum extent feasible and subject to reasonable health and safety requirements, accessible units must be:

(1) Distributed throughout the project and site; and

(2) Made available in a sufficient range of sizes and amenities so that the choice of living arrangements of qualified persons with disabilities is, as a whole, comparable to that of other persons eligible for housing assistance under the same program. (*Source: 24 CFR §8.26.*)

(c) Multifamily housing projects covered by this subchapter and built after July 11, 1988 must have a minimum of 5% of the units in multifamily housing that are fully accessible in accordance with the Uniform Federal Accessibility Standards (UFAS) and an additional 2% that are accessible to persons with visual and hearing impairments. This obligation is an absolute requirement. For buildings that fall within this category, an owner may not justify a failure to have met these requirements because of an undue financial and administrative burden. This requirement also applies to units that are newly constructed to replace demolished or uninhabitable units.

(d) Multifamily housing projects which are designed and constructed only for homeownership are not subject to the 5%/2% requirement. However, they are subject to the other requirements of this subchapter, including, but not limited to, the requirements found in §60.207(2b), (c) and (d) and §60.209 of this subchapter.

(e) Multifamily housing designed and constructed for first occupancy after March 13, 1991 containing covered dwelling units must comply with the design and construction requirements of the Fair Housing Act.

(f) Covered multifamily dwelling housing is buildings consisting of four or more dwelling units if such buildings have one or more elevators and ground floor dwelling units in other buildings consisting of four or more dwelling units. (*Source: 24 CFR §8.22, HUD Handbook 4350.3, §2-35, Telesca v. Long Island Housing Partnership, 443 F. Supp. 2nd 397 (E.D. N.Y. 2006), 42 USC §3604(f)(3).*)

EXAMPLE 203(1): A recipient receives funding from the Department and will construct a 10 unit homeownership project. The requirement that 5% of the units are accessible to persons with mobility impairments and 2% of the units are accessible to persons with sensory impairments does not apply. However, structural changes that are needed by a purchaser with a family member who ~~is disabled~~ has a disability are subject to the requirement that the recipient make reasonable accommodations, including structural changes that may be necessary to enable the family to live in the unit. So a request that a ramp be constructed to access the front porch of a homeownership unit to accommodate the disability of a 12 year old resident or prospective resident must be provided as a reasonable accommodation, unless the accommodation presents an undue financial and administrative hardship or constitutes a fundamental alteration of the program. In addition, if some or all of the units are covered by the design and construction requirements of the Fair Housing Act, those units must comply with the requirements.)

§60.204. *Other Limitations Relating to Alterations.*

(a) When alterations are considered for a project:

(1) Recipients are not required to make structural changes where other methods, which may not cost as much, are effective in making federally assisted housing programs or activities readily accessible to and usable by persons with disabilities.

(2) In choosing among available methods for meeting the requirements of this section, the recipient shall give priority to those methods that offer programs and activities to qualified individuals with disabilities in the most integrated setting appropriate. (Source: 24 CFR §8.4(d))

-(EXAMPLE 204(12): A resident who uses a wheelchair wishes to participate in the Family Self-Sufficiency program at the local housing authority. However, the sessions are held in an older building with three steps up to the front door, and inaccessible public restrooms. The resident requests that a ramp be constructed and that the public men's bathroom have an accessible stall added. Instead, the housing authority moves the site for the Family Self Sufficiency program to an accessible location.

A rental office in an older building where rent payments are made can only be reached by traveling a flight of stairs. Removal of the steps would be an undue financial and administrative burden. Alternative methods of offering residents with disabilities a readily usable way of making rent payments could include offering them an alternative way of making rent payments at an accessible location.)

(23) Undue burden

(A) The determination of undue financial and administrative burden must be made on a case-by-case basis, involving various factors, such as the cost of the reasonable accommodation, the financial resources of the provider, the benefits the accommodation would provide to the requester, and the availability of alternative accommodations that would adequately meet the requester's disability-related needs. Source: HUD Handbook 4350.3, §2-43(B). For more examples of undue financial and administrative burden, see HUD Handbook 4350.3, Exhibit 2-6.

(B) In considering whether an expense would constitute an undue burden:

(i) Payment for alterations from operating funds, residual receipts accounts, or reserve replacement accounts must be sought using appropriate approval procedures.

(ii) The approved amount must normally be able to be replenished through property rental income within one year without a corresponding raise in rental rates.

(iii) A projected inability to replenish an operating fund account or the reserve for replacement account within one year for funds spent in providing alterations under this subchapter is some evidence that the alteration would be an undue financial and administrative burden. Source: HUD Handbook 4350.3, §2-43(C), and the first example following §2-43(D).

(C) If providing accessibility would result in an undue financial and administrative burden, the recipient must still take other reasonable steps to achieve accessibility.

(D) If a structural change would constitute an undue financial and administrative burden, and the tenant still wants that particular change to be made, the tenant must be allowed to make and pay for the accommodation. Source: HUD Handbook 4350.3, §2-45(B).

~~Recipients are not required to make structural changes that would impose an undue financial and administrative burden, even if alternatives to making housing programs or activities readily accessible to and usable by persons with disabilities are not effective.~~

~~(A) Payment for alterations from operating funds, residual receipts accounts or reserve replacement accounts must be sought using appropriate approval procedures.~~

~~(B) The approved amount must be able to be replenished through property rental income within one year without a corresponding raise in rental rates.~~

~~(C) A projected inability to replenish an operating fund account or the reserve for replacement account within one year for funds spent in providing alterations under this subchapter is evidence that the alteration would be an undue financial and administrative burden.~~

(i) EXAMPLE 204(2): Each entrance to existing pre-1988 units is reached by a number of steps. Estimates of the cost of making any of the units accessible are high. The project rental income will not cover the cost of making the any units accessible without a rent increase or a reduction in services or benefits to other tenants. However, the project has a large residual receipts account. Therefore, the operator of the housing could request approval to use money from this account to remove the steps and replace them with a ramp or chairlift. The owner receives HUD approval for this use and makes the alterations.

(ii) EXAMPLE 204(3): In the same situation, the project does not have funds in its residual receipts account, but it has a large reserve for replacement account. However, the estimate is large enough that a rent increase would be required in order to replenish the account completely within one year. It would be a-an undue financial and administrative burden for the project to make a unit accessible. The owner may must explore alternatives to making its program accessible but is not required to make the structural changes. The tenant must also be permitted to make the requested changes at the tenant's expense.

(iii) EXAMPLE 204(4): A high rise project that was built before 1988 has no units that comply with UFAS. In order to make one of its units large enough to comply with UFAS, it would be required to rehabilitate the property substantially and eliminate at least one unit. The loss of income from the rental unit would present a serious financial hardship to the property and there are inadequate funds in the relevant accounts. The property is not required to meet the 5% requirement. It must meet the requirement that 2% of its units and be are accessible to persons with sensory impairments, and it must make reasonable accommodations to meet the needs of individuals with disabilities.

(iv) EXAMPLE 204(5): A project seeks funding for rehabilitation of the property from the Department. The project includes in its request all structural alterations that are necessary to ensure compliance with this section. A property that receives funding for accessible features from the Department may not assert that providing those features is an undue financial and administrative burden if it receives funding to undertake those alterations. The other provisions in this section with respect to limitations on alterations apply.

(v) EXAMPLE 204(6): A project receives funding for rehabilitation of the property from the Department. The property already has 5% of the units that are UFAS compliant. No additional rehabilitation for accessibility need be conducted.

(vi) EXAMPLE 204(7): A project receives funding for repair of the waste disposal system at the property from the Department. Because the funding does not cover alteration of structural elements but only repair of an existing system, no accessible elements need be provided. (Source: HUD Handbook 4350.3, §2-43 (C), Exhibit 2-6.)

(b4) Recipients are not required to install an elevator solely for the purpose of making units accessible. (Source: HUD Handbook 4350.3, §2-36-37(E).)

(e5) Recipients do not have to make mechanical rooms and similar spaces accessible when, because of their intended use, they do not require accessibility by the public, by tenants, or by employees with physical disabilities. (Source: HUD Handbook 4350.3, §2-36-37(D).)

(d6) Recipients are not required to make building alterations that have little likelihood of being accomplished without removing or altering a load-bearing structural member. (Source: 24 CFR §8.32(c), HUD Handbook 4350.3, §2-37(B).)

EXAMPLE 204(8): A property built before 1988 has no units that comply with UFAS. An assessment of the property indicates that no units can be made accessible to persons with mobility impairments because of the existence of load bearing interior and exterior walls which prevent construction of accessible exterior doorways. Therefore, no units must be made accessible to persons with mobility impairments except to the extent that they are made as a reasonable accommodation for a person with a disability. An owner must, however, take other reasonable steps to insure program accessibility, including in some cases, making additional units accessible in other buildings operated by the owner.

§60.205. Substantial Alteration.

When a recipient undertakes alterations to one or more structural elements in a project that contains fifteen or more units, which was built before July 11, 1988 and which lacks the required minimum of 5% of units that are accessible to persons with mobility impairments, it must meet accessibility requirements. If the total cost of the alterations is 75% or more of the replacement cost of the completed property, then the recipient must make a minimum of 5% of the units in the property accessible for persons with mobility impairments, and a minimum of 2% of the units accessible for persons with visual and hearing impairments. These units must comply fully with UFAS. (Source: 24 CFR §8.23-(a), HUD Handbook §2-35(E)(1).)

EXAMPLE 205(1): The total development cost for a planned alteration of a 40 unit apartment building with no accessible unit amounts to \$80,000 per unit and the replacement cost per unit is \$100,000. Because the cost of the alterations is more than 75% of the replacement cost of the unit, the recipient must make a minimum of 5% of the 40 units, or at least two, of the units accessible to persons with mobility impairments by compliance with UFAS and at least 2%, or one unit, accessible to people with visual and hearing impairments.)

§60.206. Renovation of Elements.

(a) When a recipient has a project which was built before July 11, 1988 and that contains five or more units but lacks the required 5% of units that are accessible to people with mobility impairments, when the recipient undertakes alterations to a structural element that are not substantial as defined in §60.205 of this subchapter:

(1) Those alterations must be accessible, to the maximum extent feasible, until at least 5% of the units are fully accessible for persons with mobility impairments. If the 5% requirement is met, no other structural alterations are required to units except to provide reasonable accommodations to individuals with disabilities.

(2) If alterations of single elements (such as replacement of a bathtub or a door) or spaces (such as kitchens or bathrooms) occur in a single unit and when the alterations are considered as a group amount to an alteration of the entire unit, the recipient must make the entire dwelling unit accessible until 5% of the units are accessible to persons with mobility impairments.

(3) When the recipient is not altering the entire unit, all of the single elements or spaces that are being altered must be made accessible unless at least 5% of the units in the project already comply fully with the UFAS, requirements for persons with mobility impairments. If at least 5% of the units comply with UFAS, no additional single elements need be made accessible except to provide reasonable accommodation for an individual with a disability.

(4) Recipients are encouraged to examine existing units for compliance with UFAS and ensure that at least 5% of the units in a property are accessible. When at least 5% of the units comply with UFAS requirements for accessibility, individual elements need not comply with accessibility requirements when they are altered.

(5) Recipients are encouraged, but not required, to make at least an additional 2% of the units being altered comply with UFAS requirements for persons with hearing and vision impairments, if such units do not already exist.

(6) Completion of minor maintenance required to maintain a property in a decent, safe and sanitary condition is generally considered to be normal repairs and not alteration. *(Source: 24 CFR §8.23, HUD Handbook 4350.3, Handbook 4350.3, §2-35(E)(2), HUD Handbook 4315.1, Rev 1, Chg 2, page 10-14, 24 CFR §8.3, Definition of Alteration.)*

(A) EXAMPLE 206(1): A property is remodeling all of the bathrooms throughout the property by replacing plumbing, fixtures, and cabinets. Remodeling the bathroom is an alteration to a space. Unless the property already has a minimum of 5% of its units that comply with UFAS to serve people with mobility impairments, 100% of the bathrooms remodeled must be made accessible until the property has a minimum of 5% of its units compliant with UFAS.

(B) EXAMPLE 206(2): A property is remodeling all of the kitchens throughout a property by replacing stoves and refrigerators. Because this is not an alteration to a structural element, no structural elements must be made accessible.

(C) EXAMPLE 206(3): A property is renovating its heating system by replacing furnaces, ductwork and vents. This is not an alteration that triggers compliance with this section because it is the replacement of a mechanical system.

(D) EXAMPLE 206(4): A property has 100 units and 6 of the units are for persons with mobility impairments. They comply with UFAS and are on an accessible route. The property is remodeling all of the bathrooms throughout the property by replacing plumbing, fixtures, and cabinets. None of the remodeled bathrooms need be made accessible because the property already has at least 5% of its units that comply with UFAS.

(E) EXAMPLE 206(5): A property that was built before 1988 has 100 units and none of them comply with the UFAS requirements. The property is replacing all of the roofs as part of regularly scheduled maintenance and repair. No units are required to be made accessible because the work being performed is regular maintenance and repair. Reroofing is specifically not considered an alteration.

(F) EXAMPLE 206(6): A property has 100 units and only three of those units (or 3%) comply with UFAS for persons with mobility impairments. The property is renovating 10 units, but the cost of renovation is only 50% of the cost of replacing the units completed property, so this is not a substantial alteration. Because the entire unit is being renovated, two of the renovated units must comply with UFAS in order to provide a minimum of 5% of the total number of units that are accessible to people with mobility impairments.

§60.207. New Construction and Additions of Units.

(a) A project consisting of all newly constructed multifamily housing of five or more units constructed after July 11, 1988 shall comply with the accessibility requirements in §203(c) of this subchapter. When a recipient adds one or more units to existing multifamily housing, as an addition that is structurally connected to the existing housing, the following requirements apply. A project consisting of existing multifamily housing units, together with one or more newly constructed multifamily housing units that are structurally attached to the existing housing, shall be designed and constructed to provide accessibility to persons with disabilities, as follows:

(A) The project including the existing units and the newly constructed units in an addition must, when taken as a whole after the construction of the additional units, have at least 5% of units that are accessible for persons with mobility impairments and at least 2% of its units that are accessible for persons with sensory impairments.

(B) All accessible units must be on an accessible route, and must comply with UFAS requirements. Source: 24 CFR §8.22

~~New multifamily housing construction of five or more units in a project by a recipient due to demolition, addition of units, or replacement of uninhabitable units shall be designed and constructed to provide accessibility to persons with disabilities.~~

~~(1) A minimum of 5% of the new units, or at least one, shall be made accessible for persons with mobility impairments.~~

~~(2) The new accessible units must be on an accessible route. The accessible units must comply with the UFAS requirements. (Source: 24 CFR §8.22.)~~

(b) All covered multifamily housing dwelling units that is-are newly constructed for first occupancy, after March 13, 1991, including additions of four or more units, must be designed and constructed to comply with the Fair Housing Act's design and construction requirements, regardless of funding.

~~(1c) Multifamily housing dwelling units are covered if they: all dwelling units in buildings containing four or more dwelling units if the buildings have one or more elevators and all ground floor units in other buildings containing four or more units, without an elevator. (Source: 24 CFR §100.205, www.fairhousingfirst.org)~~

~~(A) Are in a building with four or more units;~~

~~(i) In a building with one or more elevators, all units are covered;~~

~~(ii) In a building without an elevator, all of the ground floor units are covered.~~

~~(2) All covered units must be on an accessible route. The accessible units must comply with an objective accessibility standard that provides at least as much accessibility as the Fair Housing Act Accessibility Guidelines.~~

~~(A) There are eight standards that the Department of Housing and Urban Development has identified as safe harbors for compliance with the accessibility standards. Compliance with one of these safe harbors will provide full compliance with the accessibility requirements.~~

~~(Bd) Compliance with a set of standards identified by the U.S. Department of Housing and Urban Development as meeting or exceeding the Fair Housing Act Accessibility Guidelines will provide compliance with this subchapter's accessibility requirements. Compliance with local building code requirements does not assure compliance with the federal law. The International Building Code 2003 is a safe harbor, this subchapter. (Source: 24 CFR §§100.201, 100.205, www.fairhousingfirst.org)~~

§60.208. Public and Common Use Areas in Multifamily Housing.

(a) Recipients must make common use facilities, or parts of facilities, and public spaces accessible to persons with disabilities, as long as such improvements would not result in an undue financial and administrative burden. This requirement applies regardless of the date of construction of the property. This responsibility means that recipients must do everything feasible to make these areas accessible up to the point at which any further modifications or improvements would result in an undue financial and administrative burden. Public spaces include, but are not limited to, community rooms, laundry and trash rooms, parking spaces, entrances, sidewalks, public restrooms, and the management office.

(b) Recipients are not required to make each location of an amenity or facility accessible to persons with mobility impairments. If only one entrance or amenity is made accessible, it must be accessible to tenants with mobility impairments who live in any part of the development on the same terms that the entrance or amenity is made available to persons without disabilities.

(1) EXAMPLE 208(1): If a property has multiple buildings with two laundry rooms located in two different central areas, only one laundry room need be made accessible.

(2) EXAMPLE 208(2): Each building has its own laundry room for use by the residents of the building. Each laundry room must be made accessible, so that tenants with mobility impairments do not have to go out in inclement weather to do their laundry, when residents without disabilities may do their laundry in their building.

(c) The recipient must make one-of-a kind amenities or facilities accessible and usable to persons with disabilities or provide an alternative means for accessibility.

(EXAMPLE 208(3): A property has only one community room. It must be made accessible, or programs and services offered in that room must also be offered at another, accessible location to provide access for people with disabilities.) (Source: HUD Handbook 4350.3, §2-35(D).)

§60.209. Reasonable Accommodations.

(a) A reasonable accommodation is an alteration, change, exception, or adjustment to a program, service, building, dwelling unit, or workplace that will allow a qualified person with a disability to:

(1) Participate fully in a program;

(2) Take advantage of a service;

(3) Live in a dwelling; or

(~~3~~4) Use and enjoy a dwelling.

(b) To show that a requested accommodation may be necessary, there must be an identifiable relationship between the requested accommodation and the individual's disability.

(c) When a resident or applicant requires an accessible unit, feature, space or element, or a policy modification, or other reasonable accommodation to accommodate a disability, the recipient must provide and pay for the requested accommodation, unless doing so would result in a fundamental alteration in the nature of the program or an undue financial and administrative burden. A fundamental alteration is a modification that is so significant that it alters the essential nature of the provider's operations.

(d) If a particular accommodation would result in an undue financial and administrative burden or fundamentally alter the program, the recipient must explore whether other accommodations, although not ~~those~~ requested, can meet the needs of the person with a disability.

(e) A recipient may not charge a fee or place conditions on a resident or applicant in exchange for making the accommodation.

(f) A reasonable accommodation that amounts to an alteration should be made to meet the needs of the individual with a disability, rather than any particular minimum code specification.

(g) If a recipient refuses to provide a requested accommodation because it is either an undue financial and administrative burden or would result in a fundamental alteration to the nature of the program, the recipient shall engage in an interactive dialogue with the requester to determine if there is an alternative accommodation that would adequately address the requester's disability-related needs. If an alternative accommodation would meet the individual's needs and is reasonable, the recipient must provide it. *(Source: HUD Handbook 4350.3, §2-39, §2-40, 24 CFR §8.33, Secretary v. Country Manor, HUDALJ 05-98-1469-8 (September 20, 2001).)*

(1) EXAMPLE 209(1): A resident requires an accessible parking space that will accommodate her wheelchair-equipped van. A reasonable accommodation includes relocating and enlarging an existing parking space that will serve the van.

(2) EXAMPLE 209(2): A project has five parking spaces located outside the main entrance to the building and another parking lot with 20 spaces a half block away. All five of the parking spaces near the entrance to the building have been assigned to ~~disabled~~ residents with disabilities who need a parking space near their door because of their disabilities. A sixth tenant with difficulty in walking long distances moves into the project and requests a parking space near his door. The recipient has explored the options and concluded that the only way to provide more parking spaces near the door would be to widen the parking area by purchasing valuable real estate next door. It would be an undue financial and administrative burden for the recipient to provide the sixth tenant with a parking space near the entrance. An alternative accommodation could be to provide the sixth tenant with an assigned parking space in the lot a-half block away until such time as one of the five spaces near the door becomes available.

(3) EXAMPLE 209(3): A resident needs grab bars at the toilet in her bathroom. She does not require other accessible features. The recipient must install grab bars consistent with the resident's needs in the bathroom.

(4) EXAMPLE 209(4): A resident needs a ramped entrance to her ground floor unit to accommodate her wheelchair. She does not wish to move to an accessible unit. The recipient must provide an accessible entrance at the resident's current unit, unless it would be an undue financial and administrative hardship or a fundamental alteration of the program to do so.

(5) EXAMPLE 209(5): A resident uses a scooter type wheelchair which is 38 inches in width. She requests a ramp to enter her ground floor unit. The ramp which she requests must be at least 40 inches wide, it must have a slope of no more than 3%, and the landing at the front door, which opens outward, must be enlarged to provide adequate maneuvering space to enter the doorway. The changes must be provided, even though they may exceed the usual specifications for such alterations.

(6) EXAMPLE 209(6): A resident ~~who is a quadriplegic~~ with quadriplegia requests replacement of a bathtub in his unit with a roll-in shower. Due to the location of existing plumbing in the building and the size of the existing bathroom, a plumber confirms that installation of a roll-in shower in that unit is impossible. The on-site manager meets with the resident to explain why the roll-in shower cannot be installed and to explore alternative accommodations with the resident.

(h) Housing Tax credit Properties that are not layered with additional federal funds are not subject to any provision identified in §60.209 of this subchapter.

§60.210. Certifications and Effect of Non Compliance.

(a) Compliance with the provisions of this subchapter is included in the certifications required in the Certification of Program Compliance found in Chapter 60, Subchapter A, §60.103 of this title.

(b) Failure to comply with the provisions of this subchapter shall be addressed by the rights and remedies found in Chapter 60, Subchapter C of this title.

§60.211. Resources.

The following materials are cited within or are generally available as resources for the underlying topic of this subchapter:

(1) Uniform Federal Accessibility Standards (UFAS). Individual copies of UFAS are available on line at <http://www.access-board.gov/ufas/ufas-html/ufas.htm> or from the Architectural and Transportation Barriers Compliance Board, 1331 F Street, NW, Suite 1000, Washington, D.C. 20004-1111, Telephone: (202) 272-0080, TTY: (202) 272-0082, e-mail address: info@access-board.gov.

(2) Accessibility Requirements. HUD provides technical information about the accessibility requirements of §504, the Fair Housing Act, and the Americans with Disabilities Act at <http://www.hud.gov/offices/fheo/disabilities/accessibilityR.cfm>.

(3) Americans with Disabilities Act. Technical guidance materials are available on line from the United States Department of Justice for the Americans with Disabilities Act, Titles II and III, relating to the operations of public entities and entities that serve the general public at <http://www.usdoj.gov/crt/ada/publicat.htm> or from the ADA Information Line, Telephone: 1-800-514-0301, TDD, 1-800-514-0383 (TDD).

(4) Fair Housing Act. Technical guidance materials on the design and construction requirements of the Act are available on line from the FairHousingFIRST program at www.fairhousingfirst.org. Additional technical guidance is available from the FIRST program, Telephone: 1-888-341-7781 V/TTY.

(5) Reasonable Accommodations: The Department of Housing and Urban Development and the Department of Justice have issued a joint statement on reasonable accommodations under the Fair Housing Act that is available on line at <http://www.hud.gov/offices/fheo/library/huddojstatement.pdf>.

**HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007**

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program Contract:

1000253 City of Lewisville OCC

Requested Action

Approve, Deny or Approve with Conditions Requests for Amendments to HOME Investment Partnerships Program Contract:

1000253 City of Lewisville OCC

Background

The City of Lewisville (Administrator) has requested a third amendment to extend the end date of their contract for six (6) months from September 30, 2007 to March 30, 2008.

On November 9, 2006, the Board approved a nine-month extension and a reduction in the number of assisted homeowners from eight (8) to six (6). The Administrator had only requested a six-month extension but upon dialogue with the Board and due to concerns regarding permit issuances and other potential construction delays, a nine-month extension was approved (see attached transcript). At the time of this extension request, the Administrator had three (3) households fully set-up and committed in the Contract System. Three (3) additional households were also entered into the Contract System; however, these three (3) activities were disapproved by Department staff due to incomplete document submittal.

On June 14, 2007, the Board approved a three-month extension to allow the Administrator to complete the contract's sixth and final activity. At the time of this extension request, the Administrator had completed one (1) home and was in progress of completing four (4) additional homes. The time extension was requested due to weather related delays (see attached transcript).

On September 20, 2007, the Department received a request from the Administrator to extend the contract until March 31, 2008. This request was to allow additional time to provide assistance to the sixth and final contract activity due to the extenuating circumstances experienced by the Administrator since the June 14, 2007 Board meeting. At the time of this extension request, the Contract Administrator had completed five (5) homes. The extenuating circumstances experienced by the Administrator prohibiting the commencement of construction on the final contract activity are as follows:

- April 12, 2007 – Demolition of the substandard unit occurred and construction on the new unit was to begin on May 1, 2007.
- Approximately mid July 2007 - The engineer could not obtain a soil sample bore until the ground had dried sufficiently.
- Approximately late July 2007 - The soil report and subsequent foundation design required pier foundation which was not anticipated and required change order approvals.
- Approximately early August 2007 - An architect error in the design failed to provide the required zoning side-yard requirements and the full plans/permit submittal was delayed. The necessary re-design required four (4) revisions before the homeowner and the city agreed upon a design.
- August 27, 2007 - Final plans were submitted for approval by the city's Plan Examiner. The Plan Examiner performed an expedited review and submitted corrections to the city on September 19, 2007. The Administrator submitted the extension request recognizing the contract termination and did not commence construction until assured that draws could be processed for expenses incurred under a valid contract.
- October 22, 2007 - The Department was notified, after receipt of the extension request, by the city via e-mail that the design difficulties had been resolved and a building permit issued. Architectural plans met all requirements and the contractor's subs have registered with the city's permit office.
- As requested by staff, the Administrator provided a pipeline report indicating and the anticipated construction completion date (see attached Contractor Pipeline Report), which the General Contractor has signed commitment to have the home completed within 120 days by February 1, 2008.

It is important to note that due to the delays prohibiting the commencement of construction as a direct result of soil bore tests, various design revisions and the circumstances described above, this household has been displaced for approximately seven (7) months. If the Board approves the extension request, a HOME Division Performance Specialist will be assigned to this contract and will provide oversight to ensure completion of the unit.

Amendment Number:	3
Activity Type:	Owner Occupied Assistance (OCC)
Contract Executor:	City Manager, Claude King
Contract Start Date:	October 1, 2004
Contract End Date:	September 30, 2007
Requested End Date:	March 28, 2008
Service Area:	Lewisville, TX
Total Budget Amount:	\$334,759
Project Amount:	\$321,884
Administration Amount:	\$12,875
Households Required:	6
Households Assisted To-Date:	5
Project Amount Drawn To-Date:	\$237,924
Admin. Amount Drawn To-Date:	\$1,287

Recommendation

The Administrator did not meet the required deadlines imposed by the Board. Should the Board choose to provide an additional extension staff would recommend it include:

- An extension to April 30, 2008 to allow sufficient time for full execution of the contract amendment and construction completion;
- No additional time extensions be granted and the contract be closed-out at the end of the amended end date of April 30, 2008;
- Regardless of the status of construction completion, the Department will not be liable for any costs incurred after the amended contract end date;
- Half of the current remaining and available balance of administrative funds not be released until the Administrator has completed this last activity;
- The Administrator only be allowed to serve this sixth household that is setup in the Department's Contract System;
- The Administrator not be able to substitute or add another household; and,
- The Administrator be required to provide monthly status reports to the Department.
- The amendment to the contract is to be contingent upon any unresolved audit finding, questioned or disallowed costs, and non-compliance issue being resolved to the Department's satisfaction.

**TDHCA Board Transcript
For Board Meeting conducted on
June 14, 2007**

MR. CONINE: Move to approve.

MR. FLORES: Second.

MS. ANDERSON: The amendment request.

MR. CONINE: Correct.

MS. ANDERSON: Okay. Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no?

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: The second is the City of Cotulla, contract number 1000 -- Oh, I'm sorry. That one's --

MS. ANDERSON: Oh, it has.

MR. GERBER: The City of Lewisville. The third request -- this request from the City of Lewisville at the November 2006 Board meeting the city was permitted a nine-month extension as the result of construction delays.

The first amendment reduced the required households from eight to six, resulting in deobligated funds of \$97,881. The match requirement was also reduced pro rata from \$52,000 to \$40,246.

The city is now requesting a second amendment to further extend the end date of their contract for three

additional months, from June 30, 2007, to September 30, 2007. The city states that during rainy weather, the construction phase for one remaining home got behind schedule, 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 completed by August 31, 2007. Because this is the city's second extension request staff does not recommend the approval. At the time of the first extension for nine 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 amend the -- approve the amendment, contract end date would be extended the three months to September 30, 2007.

MR. CONINE: Move approval, of the monsoon.

MS. ANDERSON: Mr. Kirby, waive your right to testify?

(No response.)

MS. ANDERSON: Perfect answer, thank you. Any discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume -- do we have a motion?

MS. RAY: Second.

MS. ANDERSON: Thank you, Ms. Ray. Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the motion please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: This last request is from the City of Splendora. The city is requesting a modification to the income requirements in their contract as noted on the table in your Board book.

They are reducing the number of families being served at 30 percent of AMFI by four, and proposing that those four households be permitted to be qualified at 50 percent of AMFI.

The city states that they have not been able to identify households to qualify for the program at the 30 percent level. The city states that the increase would allow assistance to the other households who are in much need of adequate housing, but whose income is slightly above the 30 percent income limit.

The application has been re-scored, and the city would have been funded with the increased income

TDHCA Board Transcript
For Board Meeting conducted on
November 9, 2006

MR. CONINE: Subject to the terms requested by staff.

MR. FLORES: Second.

MR. CONINE: And if the city doesn't agree with those terms, we don't extend.

MAYOR SALINAS: Exactly.

MR. CONINE: Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

The next one is the City of Lewisville, Mr. Gerber.

MR. GERBER: Mr. Chairman, members of the board, I'd like to ask that the board look at the next two cities because they, again, the City of Lewisville and the City of Midland. Both are requesting a reduction in the number of assisted households. The City of Lewisville is requesting to reduce the households from eight to six which is a 25 percent reduction. The City of Midland is requesting to reduce the households from ten to six, a 40

percent reduction. The reduction in the number of units will result in de-obligated funds. Both cities are also asking for a six-month extension in order to ensure that they have enough time to complete assistance at these lower household servicing levels.

If the board chooses to approve these two amendments, staff would recommend that the cities provide the department with a monthly contract progress report.

MR. CONINE: I have one public comment from the City of Lewisville, Jamey Kirby.

For those of you that are interested, we will probably break for lunch at about noon for 45 minutes. Those of you that want to turf-protect, be back at 12:45.

MR. KIRBY: Board members, thank you for hearing me. My name is Jamey Kirby with the City of Lewisville. I'm the grants coordinator for the city and I'm representing the city and the clients that have applied for the grants.

We do have six projects that have been submitted electronically to TDHCA. The environmental reviews are complete, bids have been taken, and we have three contractors ready to proceed. Our request is for a six-month extension, and again, construction is ready to start, with your approval.

The second part of our request is to increase the income limits. We originally targeted all of our units at the 30 percent income level, and we would like, with your approval -- three of the units that we have ready are at that 30 percent income level, three of the units would be at the 50 percent..

I do want to say that we took a look back at that, and in our original application, had we applied that way with half of the units at the 50 percent level, the scoring would have been reduced slightly but our ranking still would have been the same, and in our estimation and I believe your staff agreed that the award would have still been the same.

We did have some challenges both with staffing and with eligibility for clients, and we took 18 applications. Only three were completely eligible at that 30 percent level. We thought we would meet our goal of eight. The seventh client fell out in the last couple of months due to the feasibility determination that we would have to go to reconstruction, and we let that out to bid and the bids that were returned were just too expensive for the program costs. And our eighth client withdrew, again after a feasibility determination that instead of rehabilitation, we would go to reconstruction and that

client withdrew at their own choice.

Thanks for your time, and we respectfully request approval as presented.

MR. CONINE: Any questions for the witness?

MR. FLORES: How much time are you asking for?

MR. CONINE: Six months.

MR. FLORES: Are you sure you can do this in six months, are you cutting it a little short, are you being a little optimistic?

MR. KIRBY: I don't believe so. We're ready to proceed with pre-construction conferences with the clients. I'm not sure if there's any extra time for your staff to execute the amendments or not, but as we presented them, our contractors are ready. There is one contractor who we're not sure he can meet our insurance requirements and we were worried that we'd have to go to the next responsive bid on that one, and that's the only delay that I could think of that might come along.

MR. FLORES: I'm giving you an opportunity to amend this for something longer than six months. If you still want to take it, that's fine, but you will not come back here the seventh month and ask for an extension.

MR. KIRBY: I understand. Actually, I would accept your offer and request nine months, in that case.

(General talking and laughter.)

MR. FLORES: I'm in the business, I know how long it takes to do permitting, and we're the government and you're the government and you use up all that time, and all of a sudden the contract has two months left to do the contract that you only had six months for. That's what I'm concerned about.

MR. CONINE: Any other questions of the witness? Do I hear a motion?

MS. RAY: Are we doing them separately or doing them together?

MR. CONINE: We're going to do both Midland and Lewisville together.

MS. RAY: Is there public comment from Midland?

MR. CONINE: No public comment on Midland that I have.

MAYOR SALINAS: The motion would be to extend for nine more months with the staff recommendation.

MR. CONINE: The staff recommendation except for taking six months to nine months. Is that what you're saying?

MAYOR SALINAS: Yes.

MR. CONINE: On both deals?

MAYOR SALINAS: On both deals.

MR. CONINE: Is there a second to that motion?

MS. RAY: I second it but I have some discussion.

MR. CONINE: Okay, now we have discussion.

MS. RAY: The discussion that I have is really for the staff on the de-obligated amount. Just an education for me, please. Maybe it's because I'm new I don't understand. The de-obligated amount, is that money going to be lost to the community? Can someone answer me that question? Can we distribute that money to other citizens that might have a need for the use of those resources.

MS. TREVINO: Lucy Trevino, manager of PMC.

The funds are de-obligated from this contract so they're lost to this administrator but not to the state. So they're returned to the de-obligated funds pool for other contracts.

MS. RAY: They available to be used for other citizens of the state.

MR. CONINE: Correct. It goes back in the pot and we have a de-obligation policy that uses up de-obligated funds.

MS. RAY: Sometimes timing makes a difference on what you can do because of the fiscal year and that

sort of thing.

MR. CONINE: Not a problem here. Any further discussion from board members?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Going to Texarkana.

MR. GERBER: The next request, Mr. Chairman and board members, is for the City of Texarkana. The city is requesting additional funds of \$29,755 in order to have sufficient funds to assist an additional household. The city is also requesting a six-month extension.

The city originally requested \$500,000 for reconstruction of nine homes but because of the scoring and ranking of their application, they were awarded a partial contract of \$81,389 for construction of two homes, even though this was less than the cost per home required to construct each home. Because the cost to construct each home is \$55,000, the city currently does not have sufficient funds to complete the second unit.



September 20, 2007.

Lucy Trevino, Manager of Portfolio Management
HOME Program
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 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 has now completed all houses except for this last project, which is a reconstruction. In October 2006, the Board approved the first extension until June 2007. The City received its executed copy of the amendment in January. Ms. Brown was the only client that needed re-certification of her income, which was not completed until March 2007 as she had a hospitalization and stayed with relatives for some of that time. A timeline was established for construction with the contractor: final plans and specifications were due by April 16; the client vacated the property by April 9; demolition occurred on April 12 and construction was to begin by May 1. Unfortunately at the time of the pre-construction conference, the contractor was not aware that soil bore tests were still needed before the foundation could be designed. In June, your Board was gracious enough to grant us an extension due mostly to weather to September 30, 2007.

The City is of course committed to finishing the sixth project and closing out the grant. However, we had an unfortunate series of problems on this last house. As you noted recently, we have completed all construction (and paid retainage) on the first five projects. Hard cost and soft cost draws are being prepared now to reflect all progress to date. One draw is pending.

Here is a summary of extenuating circumstances in the last six months for TDHCA Executive Director, Mr. Gerber and/ or the TDHCA Board's consideration:

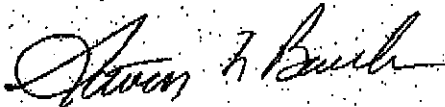
1. The extensive rains were of course the biggest factor in delays. Denton County received 29.06 inches from April to June alone (12 inches is normal). The rains were nearly constant during those months and continued intermittently for some time thereafter as well.
2. Compounding rain delays, the engineer could not obtain a soil sample bore until the ground had dried enough.
3. The soil report and subsequent foundation design called for expensive pier foundations that were not anticipated. Change order approvals were needed before foundation design could finish.

Planning & Community Services Division
151 W. Church Street
P.O. Box 299002 - Lewisville, TX 75029-9002

4. When our staff finally expected full plans/ permit submittal, the architect realized he had made an error; the house he designed did not allow for zoning side-yard requirements. Redesign kicked off a series of 4 revisions before the homeowner and our housing and grants specialists were satisfied.
5. Plans were finally submitted for a permit application on August 27. The City Plans Examiner did an expedited review, but the re-submittal with corrections was barely received yesterday, September 19. A building permit is pending our examiner's approval. The general contractor has stated that he will begin immediately and has signed the attached pipeline report for completion in 120 days.
6. The most important circumstance is that the City and homeowner proceeded in good faith with demolition of the old house based on the contractor's timeline. We were trying to get construction underway and proceeded with demolition with the understanding that the contractor was about to apply for his building permit shortly after. He did not realize, however, that his architect and engineer still needed a soil report. The homeowner is now waiting for the City and our contractor. She has been very patient but we know it is a hardship for her staying with family in the meantime.

The City is requesting another time extension until March 31, 2008 to complete construction. The Department's favorable response to these matters will be appreciated. Please feel free to call our staff for any further information at 972-219-3780.

Sincerely,



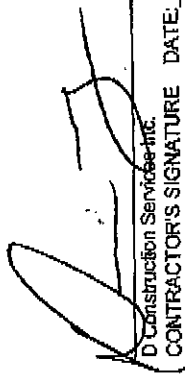
Steven L. Bacchus
Assistant City Manager
for
Claude King
City Manager

attachment

OWNER OCCUPIED HOUSING ASSISTANCE PIPELINE REPORT

ADMINISTRATOR NAME: Lewisville CONTRACT NUMBER: 1000253

Activity Number	Client Name	Address	Date Set Up	Amount Set Up	Income Eligible Date	Existing Unit (Y or N)	Manufactured Housing (Y or N)	New Const.	Date Contract Signed	Construction Completion Date	Percentage Complete	Comments
1	25449 Dorothy Brown	218 Birch	9/22/2006	\$ 55,000.00		N	N	Y	3/28/2007	2/1/2008		Demolition Complete


 D Construction Services, Inc.
 CONTRACTOR'S SIGNATURE DATE: 9/19/2007

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program Contract:

1000192 Midland Community Development Corporation HBA - CHDO

Requested Action

Approve, Deny or Approve with Conditions Requests for Amendments to HOME Investment Partnerships Program Contract:

1000192 Midland Community Development Corporation HBA - CHDO

Background

Midland Community Development Corporation (Administrator) is requesting an amendment to extend the end date of their contract for six (6) months from September 28, 2007 to March 31, 2008.

On May 26, 2005 as part of an action item to restructure a number of CHDO Set-Aside awards, the Department's Board approved an amendment to extend this contract end date to September 30, 2007, increase the project budget from \$132,000 to \$375,000 and modify the performance requirements by decreasing the number of households to be assisted from sixteen (16) to five (5). Some of the purposes of these modifications were to allow additional project funds and time to incorporate acquisition and/or construction costs to ensure that the contract activities remained CHDO-eligible. However, one of the most important factors was that additional funds could be awarded to increase the CHDO Set-Aside commitment and expenditure rates without the potential delays and risks associated with a single family development application process. This contract was also evaluated by the Department's Real Estate Analysis Division and the underwriting report was included in the Board action item. The number of units households served were reduced since increased funds were required on a per unit basis to ensure both acquisition and/or construction costs and downpayment assistance funds were provided with CHDO HOME funds.

On May 7, 2007 and in an effort to expend additional CHDO HOME funds, the Department approved a second amendment to increase project budget from \$375,000 to \$425,000 and modified the performance requirements to increase the number of households served from five (5) to six (6). The Administrator had identified one (1) additional homebuyer to assist; therefore, the request for additional funds in the amount of \$50,000 was submitted and approved. At the time of this request, the Administrator had already assisted 20 homebuyers and was in the

process of assisting another six (6) which were entered into the Contract System and were pending amendment. The Administrator had also recently been monitored by the Department's monitoring staff and was found to be in compliance.

In August 2007, the Administrator submitted a request for an extension to this contract and an additional \$1,130,000 in project funds due to a growing pipeline of households to assist with this funding. Due to the size of this request, the age of the contract, and staff's approved modification of the CHDO Single Family and Rental Housing Development Program Notice of Funding Availability (NOFA) to allow single family development activities, the request was denied and the Administrator encouraged to apply under the NOFA.

The Administrator has informed staff of intentions to apply for funding under this NOFA, however the Administrator currently has a very active pipeline of applicants that are pre-approved for financing from first lien lenders and have housing units that have completed construction or is actively underway. To avoid delays in assisting some of these households with the time required for application submission and Department evaluation, the Administrator submitted a request to the Department on November 29, 2007 to extend the contract period through March 28, 2008 to provide assistance to the nine (9) additional homebuyers identified by the Administrator. Additionally, the Administrator is requesting an increase in project funds in the amount of \$135,000 and \$6,750 in CHDO Operating funds for the continued development of the nine (9) homes on property owned by the Administrator and has provided a detailed list of qualified homebuyer names, addresses, and anticipated construction completion and closing dates. Currently, three (3) homes are 100% complete, three (3) homes are between 80%-95% complete and the remaining three (3) homes are between 5%-40% complete. All nine (9) projects have homebuyers with pre-approved first lien mortgages and are awaiting closing upon construction completion. The Administrator has submitted a Pipeline Report indicating current household status and anticipated closing dates (see attached Pipeline Report).

Amendment Number:	3
Activity Type:	Homebuyer Assistance (HBA) - CHDO
Contract Executor:	Executive Director, David Diaz
Contract Start Date:	September 30, 2005
Contract End Date:	September 30, 2007
Requested End Date:	March 31, 2008
Service Area:	City of Midland
Total Budget Amount:	\$425,000
Project Amount:	\$425,000
Administration Amount:	\$0.00
Households Required:	6
Households Assisted:	28
Amount Drawn To-Date:	\$417,000

It is important to note that the HOME funds being used for this contract are from the federally-required CHDO Set-Aside. The Department has experienced some challenges in meeting the CHDO requirements and if the Board chooses to approve this request, a significant amount of CHDO funds would be committed and benefit the Department's ability to meet and/or exceed

this requirement. Additionally, although the Administrator was required to assist a lower number of households with both downpayment and construction and/or acquisition costs assistance upon the Department-approved restructure in 2005, the Administrator was able to far exceed the number of households assisted by using anywhere from \$10,000 to \$15,000 for combined downpayment assistance and/or construction costs per household. Typically, the Administrator has utilized a total of \$10,000 per household by using \$7,500 for downpayment assistance and \$2,500 for site preparation.

Recommendation

This request cannot be approved administratively, but should the Board choose to provide the additional funds and the associated extension. Staff recommends:

- An extension to March 28, 2008 to allow sufficient time for full execution of the contract amendment and the loan closings to occur;
- No additional time extensions be granted and the contract be closed-out at the end of the amended end date of March 28, 2008;
- An increase in available project funds from \$425,000 to \$566,750 and accordingly, the number of households to be assisted from 6 to 37;
- An increase in CHDO Operating Expenses of \$6,750;
- Regardless of the status of construction completion or loan closing, the Department will not be liable for any costs incurred after the amended contract end date;
- The Administrator will not be able to substitute or add another household unless that household can be provided assistance prior to March 28, 2008.
- The additional households served to have incomes at or below 80% AFMI; and
- The Administrator be required to provide monthly status reports to the Department.
- The amendment to the contract is to be contingent upon any unresolved audit finding, questioned or disallowed costs, and non-compliance issue being resolved to the Department's satisfaction.

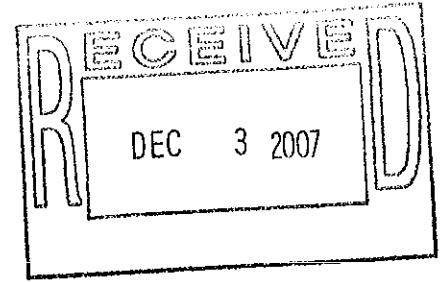


Midland Community Development Corporation

November 29, 2007

Texas Department of Housing and Community Affairs
Attn: Jeannie Arellano
Austin, Texas 78711-3941

REF: HOME Contract no. 1000192



Dear Jeannie:

Thank you very much for your assistance in opening up an avenue for the Midland Community Development Corporation to be able to apply for CHDO funding for 2008-09 through the new CHDO NOFA approved by the board in October. We anxiously await the application to be posted on your website. In the meantime, as we have discussed in the past we have a number of projects in the pipeline scheduled to close before the new funding could be made available through the NOFA. I am asking TDHCA to consider an amendment to our existing contract no. 1000192 to take care of nine projects already under construction and scheduled to close by March of 2008. (See attached Construction Schedule) All of these projects have homebuyers with pre-approved 1st lien mortgages and are anxiously awaiting closing upon completion of construction.

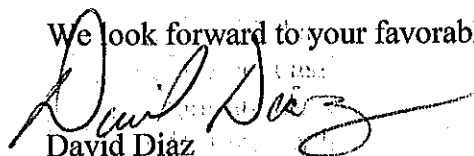
Please accept this letter as our official request for an additional \$135,000 in HOME funds for down payment assistance and \$6,750 for CHDO operations. MCDC will utilize the funds to continue developing single-family housing as per current contract guidelines. The HOME funds will be used to develop nine new homes on property owned by the MCDC.

We are proud to have a very successful HOME program under this current contract and look forward to the continued partnership with TDHCA to further our joint mission of developing affordable housing. You should know that under this current contract we have successfully completed a total of twenty-eight homes without performance issues.

Additionally you should know that our current housing market is extremely tight which has driven prices through the roof. Most recently housing cost in our community have risen approximately 10-20% annually making it very difficult for some families to purchase a home without any type of assistance. It is MCDC's intent to help these families with our formal request to be able to serve families at or below 80% of AMFI.

On behalf of the Board of Directors of the Midland Community Development Corp. we thank you for the opportunity to provide affordable housing for families in our community.

We look forward to your favorable response.


David Diaz
Exec. Dir.

MIDLAND COMMUNITY DEVELOPMENT CORPORATION

2007 Construction Schedule & Status updated 11/25/2007

2007 YTD PROJECT NO.	2003-06 PROJECT NO.	ADDRESS	CURRENT STATUS	ESTIMATED CLOSING	TDHCA Set-up	New units requested	TDHCA \$ Requested
1	36	505 N. Fort Worth	100% complete	Closed Jan '07	yes		
2	37	604 N. Dallas	100% complete	Closed Feb '07	yes		
3	38	610 S. Atlanta	100% complete	Closed Apr '07	yes		
4	39	711 S. Atlanta	100% complete	Closed Jun '07	yes		
5	40	610 N. Ft Worth	100% complete	Closed Oct '07	yes		
6	41	502 N. Dallas-Townho	100% complete	Closed Aug '07	yes		
7	42	604 N. Ft Worth	100% complete	Dec '07	no	1	\$15,000
8	43	504 N. Dallas-Townho	100% complete	Nov '07	no	2	\$15,000
9	44	506 N. Dallas-Townho	80% Complete	Dec '07	no	3	\$15,000
10	45	608 N. Ft Worth	100% complete	Nov '07	no	4	\$15,000
11	46	607 N. Dallas	95% Complete	Dec '07	no	5	\$15,000
12	47	700 S. Mineola	90% Complete	Dec '07	no	6	\$15,000
13	48	508 N. Dallas-Townho	40% Complete	Jan '08	no	7	\$15,000
14	49	702 S. Mineola	30% Complete	Feb '08	no	8	\$15,000
15	50	510 N. Dallas-Townho	5% Complete	Mar '08	no	9	\$15,000
16	51	608 S. Atlanta	5% complete	Apr. '08	no		
17	52	704 S. Mineola	0% Complete	Apr. '08	no		
18	53	606 N. Ft Worth	0% Complete	Apr. '08	no		
TOTAL							\$135,000

2003-06 Project No. Column is the number of projects completed since 2003 (44 projects completed 100%)

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program Contract:

1000189 Edinburg Housing Opportunity Corporation HBA - CHDO

Requested Action

Approve, Deny or Approve with Conditions Requests for Amendments to HOME Investment Partnerships Program Contract:

1000189 Edinburg Housing Opportunity Corporation HBA - CHDO

Background

The Edinburg Housing Opportunity Corporation (Administrator) is requesting an amendment to extend the end date of the contract for four (4) months to January 31, 2008.

On May 2, 2006, the Department granted the first extension for a period of two (2) years through September 30, 2007. The Administrator had experienced delays due to uncertainty regarding the types of activities required under the contract. Since the contract was originally awarded under the CHDO Set-Aside, the Administrator was required to provide CHDO HOME funds for both downpayment assistance and the acquisition or construction of the property. However, the Administrator was utilizing the Texas Bootstrap Loan Program funds through the Office of Colonia Initiatives Division (OCI) for the acquisition and/or construction of some of properties and CHDO HOME funds for only the downpayment assistance. Since it appeared that the activities being performed under the contract did not meet the requirements of a CHDO-eligible activity under the HOME Program, the contract was submitted to the Department's Real Estate Analysis (REA) Division for review. During this process, it was determined that the Administrator was actually performing in the capacity required under the CHDO Set-Aside. The uses of both funding sources were revised, including the application of the CHDO HOME funds to both downpayment assistance and a portion of the construction costs, and the contract remained a CHDO-eligible activity. To date, the Administrator has completed 15 activities. Of the 15 completed activities, six (6) activities received downpayment assistance utilizing HOME funds only and the remaining nine (9) activities received assistance utilizing both HOME funds for downpayment assistance and a portion of construction costs. These nine (9) activities also received Texas Bootstrap Loan Program funds for construction completion.

On November 14, 2007 the Department received a request to extend this contract until January 31, 2008 to provide assistance to eight (8) households that are also participating in the Texas

Bootstrap Loan Program. Construction on all eight (8) homes is 100% complete and all eight (8) households have been pre-approved by a first lien lender in conjunction with the Texas Bootstrap Loan Program. Title commitments, improvement surveys and appraisals have been ordered and received by the lender. The Administrator and households are awaiting a favorable decision regarding the HOME funds under this contract in order to set closing dates. Five (5) of the eight (8) households are currently pending approval in the Department's Contract System. If the Board approves an extension, the remaining three (3) activities will be entered into the Contract System upon amendment approval and set-up documents will be forwarded to the Department. The Department's OCI staff has received the loan packages for all eight (8) homebuyers and has reviewed and approved them.

Amendment Number:	2
Activity Type:	Homebuyer Assistance (HBA) – CHDO Set Aside
Contract Executor:	Isabel Mercado
Contract Start Date:	October 1, 2003
Contract End Date:	September 30, 2007
Requested End Date:	January 31, 2008
Service Area:	City of Edinburg
Total Budget Amount:	\$300,000
Project Amount:	\$300,000
Administration Amount:	\$0.00
Households Required:	30
Households Assisted:	15
Amount Drawn To-Date:	\$150,000

It is important to note that the HOME funds being used for this contract are from the federally-required CHDO Set-Aside. The Department has experienced some challenges in meeting the CHDO requirements and if the Board chooses to approve this request, there would not be an increase in the amount of uncommitted CHDO funds. Additionally, during a staff review of the of the activities assisted to-date by the Administrator, it was discovered that one (1) of the HOME activities exceeds the applicable 50% Area Median Family Income (AMFI) limit but was determined to have an annual family income at or below 80% AMFI. This household did not receive assistance from the Texas Bootstrap Loan Program. If a modification does not occur for one (1) household to be served at the 80% AMFI, the Administrator will be in violation of the contract performance requirements and will result in disallowed costs for the one (1) ineligible household.

Recommendation

The Administrator did not meet the requirements of the contract in a timely manner. Should the Board choose to provide an additional extension staff would recommend it include:

- An extension to February 29, 2008 to allow sufficient time for full execution of the contract amendment, the Department's generation of loan documents, and the loan closings to occur;
- No additional time extensions be granted and the contract be closed-out at the end of the amended end date of February 29, 2008;

- Regardless of the status of construction completion or loan closing, the Department will not be liable for any costs incurred after the amended contract end date;
- The Administrator only be allowed to serve the eight (8) households approved by the OCI staff for the Texas Bootstrap Loan Program;
- Reduction in available project funds from \$300,000 to \$230,000 and accordingly, the number of households to be assisted from 30 to 23;
- A modification to allow one (1) household served at or below 80% AFMI;
- The Administrator not be able to substitute or add another household; and,
- The Administrator be required to provide monthly status reports to the Department.
- The amendment is contingent upon any unresolved audit findings, questioned or disallowed costs or other issues of non-compliance being resolved to the Department's satisfaction.

Edinburg Housing Opportunity Corporation
P.O. Box 8251
Weslaco, Texas 78599
956-969-1083
956-969-1426 (Fax)

[Via Email Joen.Taylor@tdhca.state.tx.us](mailto:Joen.Taylor@tdhca.state.tx.us)

October 22, 2007 ✓

Ms. Jo En Taylor
Texas Department of Housing &
Community Affairs
Austin, Texas

Dear Ms. Taylor,

EHOC is requesting an extension to our contract no. 1000189 to January 30, 2008. Although I think that we will not require this much time, we feel it is better to have it extended to this date because we are working with three entities and we need the coordinated efforts of all.

We are requesting this extension due to several reasons. When we applied for the down payment assistance program, several families under the auspices of the Edinburg Housing Authority were paying rent in excess of \$450.00 per month and we (the EHOC, which is a CHDO of the Edinburg Housing Authority) tried to help these make the transition to home ownership. The Edinburg Housing Authority built 6 homes with their funds and these homes were sold to 6 families who received the \$10,000 down payment assistance grant.

The EHOC later applied for the Colona Bootstrap Grant which helps the families with a \$30,000 loan at 0% interest, amortized for 30 years. No activity was done on the HOME program because we wanted to use the \$30,000 from the OCI Loan and the \$10,000 from the HOME grant for each household. Because the EHOC would be the entity building the homes, and not the EHA, we had to apply for "builder" status, get plans and specifications approved by the OCI, etc., which required significant time. To make matters worse, the CHDO was operating as a "stand alone" CHDO, without the help of the Edinburg Housing Authority. The EHOC was using an office at the EHA, the EHA was providing us with a list of their rent rolls in order to see which families qualified for our program, and EHA staff was helping with the paperwork, interviewing, copying, etc. The EHOC is now operating on its own with volunteer staff who have full time jobs and no help from the EHA, without an office, equipment, etc. I, as administrator, am working out of my home to finish this project.

The inactivity from the first 6 household that were helped to the 9 that we closed last year was because in order to make the package more attractive to the potential homeowners, we had to use the OCI loan and build the homes ourselves using the money from both grants for interim construction. Due to the fact that the OCI requires that some families put in some sweat equity and most of the families paying \$450.00 or more are employed, it was very hard for the EHOC to come up with applicants willing to participate in the program. The families in were not willing to leave the comforts of public housing and take the plunge of homeownership. We then had to go outside the auspices of the EHA to look for applicants. The process was not completed during the timeframe provided during the last extension because the families that we were willing to participate in the program, the sweat equity was being done after hours and this slowed down the construction process tremendously. Because the contractor was relying on the funds from the HOME Program and OCI for the construction, it was very difficult for the contractor because he had to use a lot of his personal funds to complete some of the work.

All of the 8 homes are completed. All we are waiting for is the \$9,000.00 for construction and \$1,000.00 for closing costs from the HOME program. All applicants have been approved by First National Bank (first lien holder), title commitments, improvement surveys, and appraisals have been ordered and received by FNB and we are waiting on the \$10,000.00 from the HOME program in order to set the closing date.

I realize that because the HOME program is using federal funds, it takes longer for the EHOC to receive the funds; however, if we had an anticipated date, we could relay this information to the contractor who has waited patiently for his funds. The contract has a first lien on the properties and although he has not threatened with foreclosure, that is an option he can take if do not give him a time frame.

This program has been difficult for everyone involved. Our problems started when we no longer had an office at the EHA and we had to find the applicants, prepare the necessary paperwork, and I personally had to meet with families in the evening, nights, and weekends. Three of the families pulled out of the program and we had to find three new applicants (which was very difficult).

Ms. Taylor, we would appreciate anything your agency can do to grant us this extension so that we can move forward with the closing of these 8 homes. I realize that a lot of the problems we encountered were due to extenuating circumstances because we no longer have the Edinburg Housing Authority backing us.

Sincerely,

Isabel Mercado /
Administrator

HOME DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion and Possible Approval of modification to the form of the loan providing assistance for the HOME Homebuyer Assistance (HBA) Program.

Requested Action

Approve, Deny or Approve the modification to the form of the loan providing assistance for the HOME Homebuyer Assistance (HBA) Program.

Background

Staff has experienced delays in providing the contracts for Homebuyer Assistance Program awards that allow rehabilitation to the Contract Administrators due to the time involved in the internal planning and drafting of the performance statement provisions to incorporate the loan structure and closing requirements. During this process, staff reviewed this transaction structure with HUD. To ensure compliance with federal affordability and recapture requirements, staff is recommending that the repayable loans for this Homebuyer Assistance Program be structured as 0% interest, deferred, forgivable loans imposing the federal requirements for the total amount of funds, including the downpayment, closing costs and rehabilitation activities, provided to the household. This recommendation is also consistent with §53.32 *Homebuyer Assistance Program* of the HOME Program Rule presented today for adoption.

Recommendation

Staff recommends approval of the modification to the form of the loan to be a zero percent (0%) deferred, forgivable loan, with a term based on the federal affordability requirements as defined in 24 CFR §92.254 and regardless of the household's AMFI, to provide assistance for the HOME Homebuyer Assistance (HBA) Program for any unexecuted contracts for Homebuyer Assistance Program awards.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST

December 13, 2007

Action Item

Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing.

Requested Action

Presentation and discussion of the CDBG Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing.

Background

This Board Action Request summarizes the activities of the three Councils of Governments (COGs) administering CDBG Disaster Recovery Program (Program) housing contracts.

Housing Activities as of November 08, 2007

Disaster Recovery Division has finalized the Housing Trust Funds (HTF) policy and executed contracts with each of the three COGs. The CDBG Housing Contract System has been funded and COGs can now access HTF dollars to finance gap amounts.

A performance benchmark memo was disseminated to the COGs on September 19, 2007. The Division's goal was to increase the number of certified eligible clients with the expectation that once certified the home delivery phase (replacement, rehabilitation or reconstruction) would increase proportionately. The Division established a goal of certifying as eligible at least 75% of the contractual number of households required to be served by December 20, 2007. Benchmarks to date are as follows:

- **DETCOG – 18%**
- **H-GAC – 70%**
- **SETRPC – 71%**
 - SETRPC – 86%
 - City of Beaumont – 36%
 - City of Port Arthur – 74%

The Department goal is to achieve 100% eligibility certification by December 31, 2007 for each COG based on the total number of households to be served based on rehabilitation and reconstruction program line item budgets.

NOTE: The Program Activity table has been updated to reflect monthly activity. The Number of Homes out for Bid, Number of Bids Awarded and Number of Homes under Construction columns represent activity since the last Board meeting. All other data is cumulative information to date.

Financial Activity

	Current Budget	Admin \$ Drawn To Date	Project \$ Drawn To Date	Balance CDBG Funds	% of Funds Disbursed
DETCOG	\$6,745,034.00	\$274,089.78	\$131,402.71	\$6,339,541.51	6.01%
H-GAC	\$7,015,706.00	\$421,654.10	\$0.00	\$6,594,051.90	6.01%
SETRPC	\$26,498,536.00	\$616,439.41	\$1,121,088.98	\$24,761,007.61	6.56%
SETRPC	\$15,788,536.00	\$616,439.41	\$1,121,088.98	\$14,051,007.61	11.01%
Beaumont	\$5,145,000.00	\$0.00	\$0.00	\$5,145,000.00	0.00%
Port Arthur	\$5,565,000.00	\$0.00	\$0.00	\$5,565,000.00	0.00%
Totals	\$40,259,276.00	\$1,312,183.29	\$1,252,491.69	\$37,694,601.02	6.37%

Project Activity

	Total # of Households to be Served per Contract*	Total # of Certified Eligible Applicants	No. of Homes out for Bid	No. of Bids Awarded	No. of Homes under Construction	Total # of Homes Constructed	Total # of MHUs Delivered	Increase Since 11/08/07
DETCOG	182	32	0	3	0	0	7	0
H-GAC	127	89	19	0	0	0	13	4
SETRPC	229	163	19	43	18	2	22	4
SETRPC	127	109	0	43	18	2	19	4
Beaumont	56	20	0	0	0	0	0	0
Port Arthur	46	34	7	0	0	0	0	0
Total	538	284	45	45	18	2	42	7

* Based on the projected number of households that the COGs will be able to serve with the funding allocation

COG Activity Highlights

Deep East Texas Council of Governments

DETCOG's Activity Log from December 12, 2007 identifies a significant increase in the number of certified eligible applicants. Of the 32 certified eligible applicants, 2 modular home contracts have been awarded and awaiting delivery from the manufacturer and three set ups have been approved. There are twenty (20) certified eligible files that represent five (5) modular homes and fifteen (15) MHUs. Of these twenty files, thirteen (13) files will be submitted for set up approval by December 20, 2007, and the remaining seven (7) files will be submitted by December 31, 2007.

Houston-Galveston Area Council

HGAC's Activity Log from December 12, 2007 identifies (7) applicants awaiting installation of MHUs by December 18, 2007. Twenty-seven (27) bids will be awarded in December 2007. This number represents nineteen (19) stick-built homes that are currently out for bid and eight (8) MHUs that are under order from the manufacturer. H-GAC will be accessing HTF funds to process an additional 40 applicant homes, the majority will be stick-built homes. Of the thirteen (13) homes delivered, the eight (8) household invoices are being finalized and a program draw for approximately \$360,000 will be submitted to the Department. An additional five (5) draws for approximately \$220,000 will be submitted pending a final inspection of those units.

South East Texas Regional Planning Commission

SETRPC's Activity Log from December 12, 2007 reflects the installation of three (3) additional MHUs. Of the 109 certified eligible applicants, bids have been awarded for forty-three (43) stick built units and construction for eighteen (18) units is currently underway. SETRPC will be accessing HTF funds to process an additional four (4) MHU's and nine (9) stick-built homes.

SETRPC continues to work closely with each of its subcontractors to increase and certify the eligibility status of applicants. The City of Beaumont has 20 certified eligible applicants. Work write-ups are currently being re-developed and are expected to be issued the latter part of December. The City of Port Arthur has increased the number of certified eligible applicants to 34. Their will be two bid packets released on December 14, 2007 and December 19, 2007. Once the winning bidder is determined, final approval must be solicited by City Council.

DISASTER RECOVERY DIVISION

BOARD ACTION

December 20, 2007

Action Item

Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report relating to non-housing activities for CDBG Round 1 Funding and infrastructure activities for CDBG Round 2

Requested Action

Presentation and discussion of the ORCA CDBG Disaster Recovery Status Report.

Background

The Office of Rural Community Affairs (ORCA), in partnership with TDHCA, is working to distribute the nonhousing funds totaling \$30,537,374 under CDBG Round 1 and \$42,000,000 of restoration of critical infrastructure funds in CDBG Round 2.

The TDHCA Governing Board has requested a monthly report item on the status of the CDBG Disaster Recovery Programs. This report item includes the activities of both CDBG Rounds.

NON-HOUSING ACTIVITIES for CDBG Round 1

All available funding for non-housing activities is under contract. Each of the awarded communities has received at least one technical assistance / site visit by ORCA staff. To date, approximately \$6,240,106 has been paid to non-housing contractors of which \$442,551 or 7% is local administrative costs. Approximately 56% of the contracts awarded under CDBG Round 1 have requested draws totaling 20.2% of the non-housing funds. All but two of the awarded communities have received some level of clearance for their environmental assessments. Of the 90 communities with environmental clearance, six of them are only partially cleared, and another seven are relying upon FEMA Environmental Clearance to proceed with their projects. Procurement of goods and services continues. At least nine contracts totaling \$5.2 million are experiencing delays because these projects are Hazard Mitigation Grant Program (HMGP) projects that have not been prioritized by the Federal Emergency Management Agency, and as a result, FEMA funding for the projects is slow in being received by these communities. Seven of these communities are requesting amendments to their original projects to either reduce the scope of the proposed work or move their funding to the "front end" of the project to meet grant deadlines. The remaining two are working on new plans and will be requesting a change in their project at a later date.

ORCA continues a comprehensive "Project Status and Plan/Next Step" initiative to track the status of each grant and identify problems that may prevent the completion of all funded activities within the contract period. Each contracted community has been contacted and asked to provide a schedule of their next steps. ORCA staff has created a monitoring tool with this data so that these "benchmarks" can be closely monitored and technical assistance can be provided to assist the communities in meeting their schedules. ORCA will monitor these activities and provide an updated list to the TDHCA Board at each board meeting to follow the progress of each contract and note any reasons for schedules that are not met. "Next Step" remedies to the problems will be proposed and forwarded

to all non-housing recipients with identified risk factors. ORCA Disaster Recovery staff continue to conduct technical assistance visits with each city, county, and tribe to discuss the status of each project, establish the “plan or next step” necessary for communities to complete project activities and to submit reimbursements requests to ORCA.

(ALREADY STATED ABOVE)

ORCA scheduled a meeting with USDA staff to discuss the timelines for NRCS projects that have been contracted in eight of the communities receiving Round 1 funding. ORCA will make recommendations as needed to request future amendments to assure matching funds are available and projects proceed as swiftly as possible to benefit the communities and meet contract deadlines. These NRCS projects represent nearly \$7.8 million of disaster recovery work, of which nearly \$2 million are matching funds appropriated by the TDHCA Board.

NON-HOUSING ACTIVITIES for CDBG Round 2

In the August 23rd TDHCA Board Meeting the board approved a \$6 million set aside award to Memorial Hermann Baptist Orange Hospital for the purchase of a CT Scan and demolition of areas damaged by Hurricane Rita. Memorial Hermann has begun procurement to acquire the CT Scan. Another set aside award was granted to Hardin County on October 11th, for \$10 million to fund debris removal. And a third set aside grant for \$3.8 million to fund repairs and improvements to the city wide drainage and water/wastewater facilities in Bridge City was approved by the Board at the November 8th Board meeting. ORCA received 26 applications totaling \$73,363,664 for the competitive portion of the Restoration of Critical Infrastructure Program. The Board also approved awards to Jefferson County, Tyler County, Jasper County, Lumberton, and Silsbee for the remainder of the Restoration of Critical Infrastructure Program at the November 8th Board Meeting. Contracts have been written for Memorial Hermann, Hardin County, and Bridge City.

A Memorandum of Understanding has been executed authorizing ORCA to enter into contracts with the communities for Round 2 Funding once awards have been granted by the Board.

A special planning meeting was held November 29th between ORCA staff and the Round 2 funding recipients and their consultants. Project time lines and capacity were discussed in detail. ORCA staff was provided with a schedule for each of the five contracts, along with a proposal for man-power resources that will be made available by both grant administration and engineering staffs. ORCA staff will closely monitor these tasks to assure the capacity exists in both the administration and execution of the specific projects and that benchmarks are met throughout the term of the contracts.

As a result of the Round 2 planning meeting, ORCA is proposing a formal request to the Corps of Engineers to expedite the review of certain permits that will be needed for Round 2 projects in two of the contracted communities. ORCA will take pro-active measures in hopes of addressing these permitting issues so that the communities can move forward and not be delayed unnecessarily.

Texas Community Development Block Grant Program
 Disaster Recovery Awards - Rita CDBG Round 1
 December 2007

<u>Contractor</u>	<u>Total</u> <u>Beneficiaries</u>	<u>Contract Total</u>	<u>Drawn to Date</u>	<u>Available</u> <u>Balance</u>	<u>Local Admin</u> <u>Drawn to Date</u>	<u>Environmental</u> <u>Complete</u>	<u>FEMA</u> <u>Project</u>
Alabama Coushatta Indian Reservation	480	\$ 9,512		\$ 9,512.00		X	
Alto	1190	\$ 316,600	\$ 15,000.00	\$ 301,600.00	\$ 15,000.00	X	
Angelina County	80130	\$ 379,816	\$ 18,186.60	\$ 361,629.40	\$ 12,411.60	X	X
Beaumont	26247	\$ 1,950,000	\$ 37,150.00	\$ 1,912,850.00	\$ 37,150.00	X	X
Bevil Oaks	1346	\$ 200,000	\$ 12,923.10	\$ 187,076.90		X	
Bridge City	8651	\$ 300,000	\$ 237,724.01	\$ 62,275.99		X	
Broadus	210	\$ 21,403	\$ 778.40	\$ 20,624.60	\$ 778.40	P	X
Browndell	402	\$ 47,900	\$ 1,440.00	\$ 46,460.00	\$ 1,440.00	X	
Carthage	3067	\$ 338,600	\$ 7,613.00	\$ 330,987.00	\$ 7,613.00	X	X
Center	5153	\$ 184,287		\$ 184,287.00		X	X
Chambers County	26301	\$ 225,000		\$ 225,000.00		X	X
Chester	274	\$ 29,078		\$ 29,078.00		X	
China	1112	\$ 200,000		\$ 200,000.00		X	
Cleveland	6857	\$ 350,000		\$ 350,000.00		X	
Coldspring	700	\$ 15,457		\$ 15,457.00		X	X
Colmesneil	638	\$ 70,006		\$ 70,006.00		X	
Corrigan	1714	\$ 40,924		\$ 40,924.00		X	X
Cove	301	\$ 345,055		\$ 345,055.00		X	
Crockett	7141	\$ 189,946		\$ 189,946.00		X	
Cushing	568	\$ 9,919		\$ 9,919.00		X	
Dayton	5698	\$ 188,100		\$ 188,100.00		X	
Diboll	5470	\$ 69,300	\$ 2,520.00	\$ 66,780.00	\$ 2,520.00	X	X
Gallatin	394	\$ 58,800		\$ 58,800.00		P	
Galveston County	2390	\$ 350,000		\$ 350,000.00		X	X
Garrison	791	\$ 13,142		\$ 13,142.00		X	
Goodrich	260	\$ 32,500		\$ 32,500.00		X	
Grapeland	1293	\$ 19,800	\$ 720.00	\$ 19,080.00	\$ 720.00	X	
Groves	15733	\$ 500,000		\$ 500,000.00		X	
Groveton	677	\$ 28,314	\$ 1,029.60	\$ 27,284.40	\$ 1,029.60	X	X
Hardin County	48073	\$ 1,050,000	\$ 530,751.35	\$ 519,248.65		P	
Hemphill	1209	\$ 63,017	\$ 24,658.66	\$ 38,358.34		X	X
Henderson	5932	\$ 338,600	\$ 7,613.00	\$ 330,987.00	\$ 7,613.00	X	X
Houston County	23218	\$ 218,500	\$ 7,400.00	\$ 211,100.00	\$ 7,400.00	X	X
Hudson	3792	\$ 72,044	\$ 2,524.40	\$ 69,519.60	\$ 2,524.40	X	X

**Texas Community Development Block Grant Program
Disaster Recovery Awards - Rita CDBG Round 1
December 2007**

<u>Contractor</u>	<u>Total Beneficiaries</u>	<u>Contract Total</u>	<u>Drawn to Date</u>	<u>Available Balance</u>	<u>Local Admin Drawn to Date</u>	<u>Environmental Complete</u>	<u>FEMA Project</u>
Huntington	2085	\$ 21,583		\$ 21,583.00		X	
Huntsville	23576	\$ 350,000		\$ 350,000.00		X	
Huxley	982	\$ 4,340	\$ 3,982.45	\$ 357.55	\$ -	X	
Jasper	8247	\$ 747,133	\$ 146,621.53	\$ 600,511.47	\$ -	X	X
Jasper County	35604	\$ 2,270,118	\$ 1,859,922.01	\$ 410,195.99	\$ 62,335.00	X	X
Jefferson	2024	\$ 316,600	\$ 11,838.00	\$ 304,762.00	\$ 7,088.00	X	X
Jefferson County	252051	\$ 1,500,000		\$ 1,500,000.00		X	
Joaquin	839	\$ 35,200	\$ 1,280.00	\$ 33,920.00	\$ 1,280.00	X	
Kennard	360	\$ 38,400	\$ 1,160.00	\$ 37,240.00	\$ 1,160.00	X	
Kirbyville	2085	\$ 188,890		\$ 188,890.00		X	X
Kountze	1738	\$ 210,000	\$ 4,000.00	\$ 206,000.00	\$ 4,000.00	X	
Liberty County	386	\$ 350,000	\$ 35,543.50	\$ 314,456.50	\$ 13,170.00	X	X
Livingston	5433	\$ 129,194		\$ 129,194.00		X	X
Longview	98500	\$ 338,997		\$ 338,997.00		X	
Lovelady	607	\$ 27,500	\$ 1,000.00	\$ 26,500.00	\$ 1,000.00	X	
Lufkin	32709	\$ 485,000		\$ 485,000.00		X	X
Lumberton	8833	\$ 315,000	\$ 210,692.50	\$ 104,307.50	\$ 12,450.00	X	
Montgomery County	350000	\$ 189,202		\$ 189,202.00		X	X
Nacogdoches	29914	\$ 158,371	\$ 82,992.13	\$ 75,378.87	\$ -	X	X
Nacogdoches County	59203	\$ 436,065		\$ 436,065.00		X	
Nederland	17422	\$ 500,000	\$ 86,135.40	\$ 413,864.60		X	
New Waverly	950	\$ 100,000	\$ 66,760.76	\$ 33,239.24	\$ 4,050.00	X	
Newton	2459	\$ 172,729	\$ 133,163.52	\$ 39,565.48	\$ -	X	X
Newton County	15072	\$ 877,654	\$ 103,979.49	\$ 773,674.51	\$ -	X	X
Nome	515	\$ 100,000		\$ 100,000.00		X	
Onalaska	1174	\$ 28,050	\$ 10,740.00	\$ 17,310.00	\$ 1,020.00	X	
Orange	4707	\$ 750,000	\$ 294,865.88	\$ 455,134.12	\$ -	X	
Orange County	84966	\$ 1,200,000	\$ 113,016.29	\$ 1,086,983.71	\$ 14,400.00	X	X
Panorama Village	1965	\$ 72,760		\$ 72,760.00		P	X
Pine Forest	652	\$ 100,000		\$ 100,000.00		P	
Pinehurst	2274	\$ 200,000		\$ 200,000.00		X	
Pineland	980	\$ 56,100	\$ 2,040.00	\$ 54,060.00	\$ 2,040.00	X	
Point Blank	559	\$ 12,504		\$ 12,504.00		X	
Polk County	46397	\$ 886,854		\$ 886,854.00		X	
Port Arthur	57023	\$ 1,500,000	\$ 1,187,487.47	\$ 312,512.53	\$ -	X	X

**Texas Community Development Block Grant Program
Disaster Recovery Awards - Rita CDBG Round 1
December 2007**

<u>Contractor</u>	<u>Total Beneficiaries</u>	<u>Contract Total</u>	<u>Drawn to Date</u>	<u>Available Balance</u>	<u>Local Admin Drawn to Date</u>	<u>Environmental Complete</u>	<u>FEMA Project</u>
Port Neches	13601	\$ 500,000	\$ 57,401.20	\$ 442,598.80	\$ 16,875.00	X	X
Rose City	519	\$ 100,000		\$ 100,000.00			
Rusk	640	\$ 291,800		\$ 291,800.00			
Sabine County	10469	\$ 473,140		\$ 473,140.00			
San Augustine	2678	\$ 111,100	\$ 4,040.00	\$ 107,060.00	\$ 4,040.00	X	
San Augustine County	4715	\$ 236,765	\$ 45,061.35	\$ 191,703.65	\$ 10,725.00	X	
San Jacinto County	22246	\$ 478,669		\$ 478,669.00			
Shelby County	25224	\$ 221,699	\$ 21,334.40	\$ 200,364.60	\$ 7,334.40	X	X
Shepherd	2029	\$ 48,300	\$ 3,100.00	\$ 45,200.00	\$ 1,520.00	X	
Silsbee	6398	\$ 315,000		\$ 315,000.00			X
Sour Lake	1667	\$ 210,000	\$ 35,880.00	\$ 174,120.00	-	X	X
Splendor	1275	\$ 350,000		\$ 350,000.00			
Surfside Beach	450	\$ 130,000	\$ 125,921.80	\$ 4,078.20		X	
Taylor Landing	265	\$ 50,000	\$ 28,255.57	\$ 21,744.43		X	X
Timpson	1094	\$ 14,173		\$ 14,173.00			
Trinity County	13779	\$ 267,300	\$ 12,150.00	\$ 255,150.00	\$ 12,150.00	X	X
Tyler County	20871	\$ 1,918,920	\$ 63,222.50	\$ 1,855,697.50	\$ 38,360.00	X	X
Vidor	11440	\$ 500,000	\$ 238,412.04	\$ 261,587.96	\$ 9,280.00	X	X
Walker County	2600	\$ 396,930	\$ 18,000.01	\$ 378,929.99		X	X
West Orange	4111	\$ 200,000	\$ 200,000.00			X	
Willis	4028	\$ 219,109		\$ 219,109.00			X
Woodville	2415	\$ 264,993		\$ 264,993.00			
Zavalla	701	\$ 52,600	\$ 1,640.00	\$ 50,960.00	\$ 1,640.00	X	X
Deep East TX Council of Governments		\$ 100,000	\$ 41,523.52	\$ 58,476.48	\$ 41,523.52		
East TX Council of Governments		\$ 50,000	\$ 50,000.00		\$ 50,000.00		
Houston-Galveston Area Council of Governments		\$ 74,556	\$ 22,686.57	\$ 51,869.43	\$ 22,686.57		
South East TX Regional Planning Commission		\$ 18,656	\$ 6,224.00	\$ 12,432.00	\$ 6,224.00		
Total:	1,592,918	\$ 30,845,074	\$ 6,240,106	\$ 442,551	\$ 442,551		

P = environmental partially complete

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST

December 20, 2007

Action Item

Presentation, Discussion and Possible Approval to request an amendment to the Partial Action Plan for Disaster Recovery (CDBG Round 2 Action Plan) for the Restoration of Critical Infrastructure Program from the U.S. Department of Housing and Urban Development (HUD).

Requested Action

Approve a request to amend the CDBG Round 2 Action Plan and allow ORCA to submit to HUD for approval of an amendment request to allow Hardin County to make repairs to the Woodway Boulevard Bridge in Hardin County, Texas as a part of the reserved funding awarded under the Restoration of Critical Infrastructure Program.

Background

The U. S. Department of Housing and Urban Development (HUD) approved the State of Texas Action Plan (*Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding* (Action Plan) on April 13, 2007. Within the CDBG Round 2 Action Plan Memorial Hermann Baptist Orange Hospital, Bridge City, and Hardin County presented significant need for clearly established projects therefore funds were specifically reserved accordingly. On October 11, 2007 the TDHCA Governing Board approved a contract for \$10,000,000 for debris activities countywide. ORCA understands that it was the intent of Hardin County in establishing the need for these funds to do both debris removal activities and repair the Woodway Boulevard Bridge but when the CDBG Round 2 Action Plan was drafted the language specifically stated “to assist the County with vast amounts of fallen timber and debris that resulted from Hurricane Rita.” The County is requesting this amendment to be able to make repairs to the Woodway Boulevard Bridge as originally intended. ORCA has already established a recommended budget subject to the HUD approval of this request as detailed in the October 11, 2007 TDHCA Governing Board Book.

Original Budget				Projected Budget *
Debris	\$9,021,051	-	\$2,289,855	\$6,731,196
Streets / Bridge	\$0	+	\$2,178,000	\$2,178,000
Engineering	\$700,000			\$700,000
Planning Study	\$49,745			\$49,745
Administration	\$229,204	+	\$111,855	\$341,059
	\$10,000,000			\$10,000,000
*to be requested after Action Plan Amendment approved				

Requested Action

ORCA requests approval of an amendment to the CDBG Round 2 Action Plan language under the Restoration of Critical Infrastructure Program for the Hardin County Drainage Restoration Project to read:

“to assist the County with vast amounts of fallen timber and debris that resulted from Hurricane Rita and make necessary repairs to the Woodway Boulevard Bridge in Hardin County, Texas.”

Summary of Request

ORCA recommends approval of an amendment to the CDBG Round 2 Action Plan to allow Hardin County to make necessary repairs to the Woodway Boulevard Bridge as a part of the reserved funding provided to the County and submission of the request for amendment to HUD once the appropriate public hearings have been held.

Agenda Item # 5(d) was pulled and will be resubmitted in the January 2008 Board Meeting.

Notice of appeal has been timely filed but due to the short time frame available for the appeal, the basis of the appeal and supporting the appeal were not available prior to the publication of the Board book. Should any materials be provided by the appellant, staff will provide copies to the Board and public at the Board meeting. A copy of the Underwriting report in question is also attached for reference.



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

REPORT DATE: 12/07/07 PROGRAM: 9% HTC FILE NUMBER: 07302

DEVELOPMENT		
Casa Alton		
Location: Northwest corner of Trosper Road and proposed Oxford Street	Region: 11	
City: Alton	County: Hidalgo	Zip: 78573 <input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: Multifamily, Family, Rural, USDA-RD, New Construction		

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$705,994			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:
 The Applicant did not submit a Phase I ESA which encompassed the proposed revised site by the original deadline required by §49.9(h)(13)(G)(ii) of the 2007 QAP.
 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:

- | CONDITIONS |
|---|
| <ol style="list-style-type: none"> 1 A 9% Housing tax credit allocation not to exceed \$691,032 2 Receipt, review, and acceptance, by carryover, of documentation that USDA-RD has received a full application for the Applicant's proposed USDA-RD Section 538 financing. 3 Receipt, review, and acceptance, by 10% test, of documentation that the lender will not require reserve for replacements of greater than \$250 per unit per year or subsequent waiver by the Board of the 65% expense to income ratio. 4 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and subsequent environmental report recommendations have been carried out, including proper excavation and disposal of waste and exploratory trenching and/or geophysical evaluation. 5 Receipt, review, and acceptance, by cost certification, of documentation that the buildings and drives are entirely outside of the floodplain or evidence that the development meets the 2007 QAP §49.6(a) requirements for developments located within the 100 year floodplain. 6 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	10
40% of AMI	40% of AMI	10
50% of AMI	50% of AMI	17
60% of AMI	60% of AMI	36

PROS

- The application utilizes the combination of tax credits and USDA 538 financing to deep rent target with 37 of the 76 units targeting households within incomes below 60% of AMI.

CONS

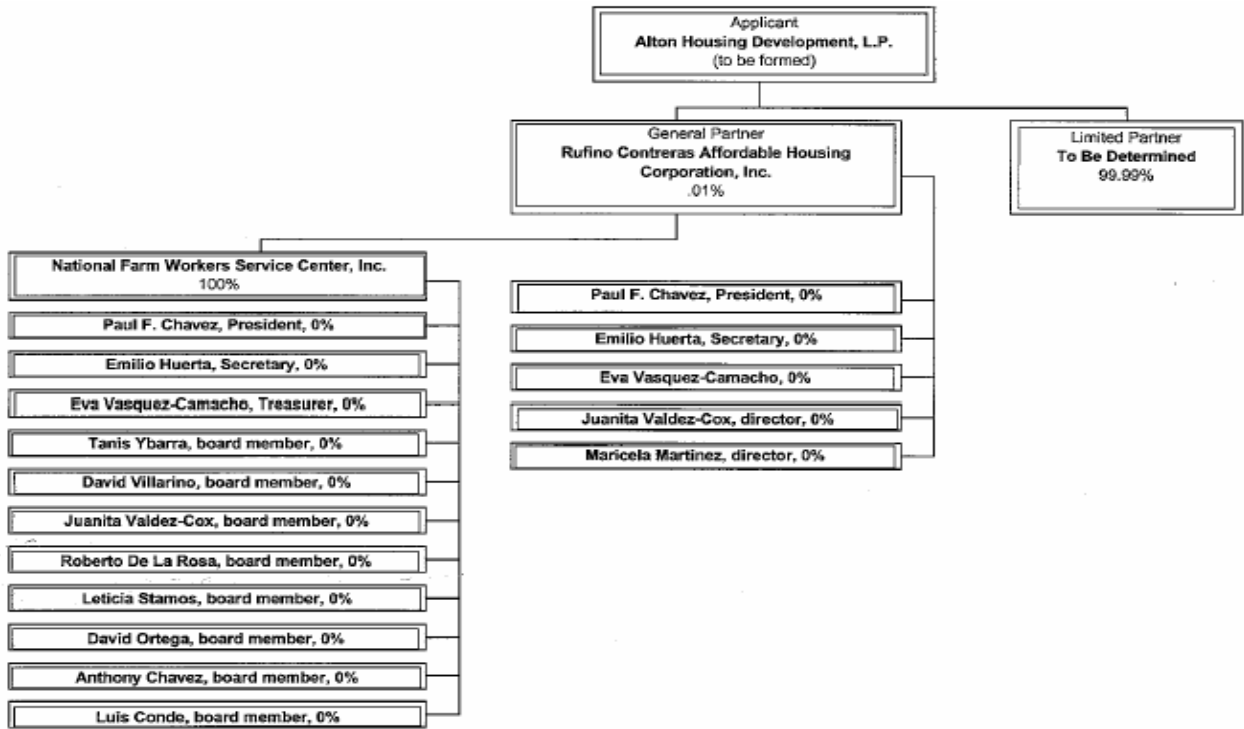
- The Underwriter's expense to income ratio is within 1% of the 65% maximum and the Applicant's expense to income ratio exceeds the 65% maximum.
- The significant changes to the site and building plans after application was made raises questions about the Applicant's readiness to proceed with the proposed development.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Jean Coburn Phone: 512.474.5003 Fax: 512.474.5010
 Email: jcoburn@nfwscmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Rufino Conteras Afforda	(\$1,448,804)	(\$751,606)	N/A
National Farm Workers S	\$31,682,871	\$4,189,442	N/A
Paul F Chavez	Confidential		5 LIHTC Developments in Texas

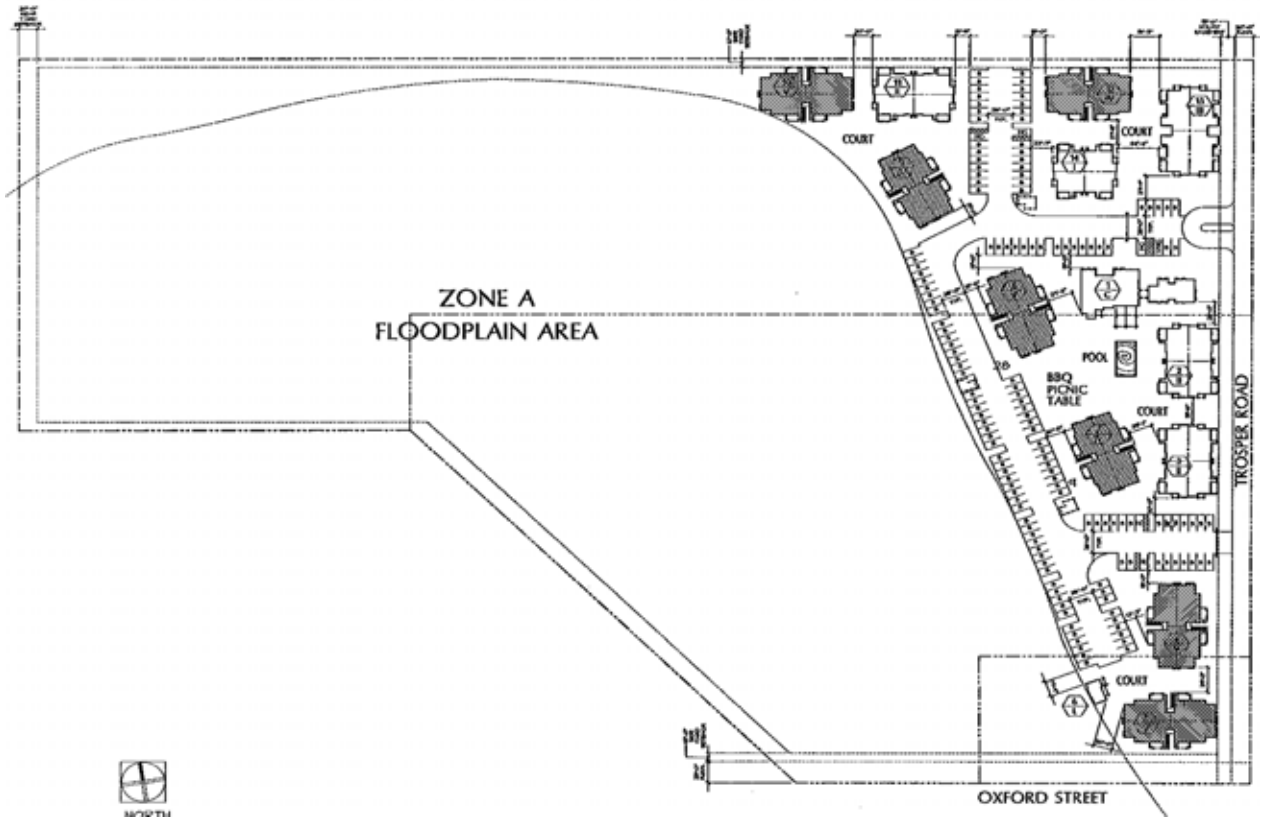
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- o The Applicant, Developer, General Contractor, Architect, property manager, and supportive service provider are related entities.

PROPOSED SITE

REVISED SITE PLAN



REVISED BUILDING CONFIGURATION

Building Type	I	II	III	IV	V														Total Buildings
Floors/Stories	1	1	1	2	2														
Number	1	3	1	3	4														12

BR/BA	SF	Units										Total Units	Total SF
1/1	750	4										4	3,000
2/2	947		4		8							36	34,092
3/2	1,067					8						32	34,144
4/2	1,251			4								4	5,004
Units per Building		4	4	4	8	8						76	76,240

This section intentionally left blank.

ORIGINAL SITE PLAN



Development Plan:

The Applicant originally proposed 76 units in 19 one-story four-plex buildings to be located on an 8.5 acre portion of a 19.99 acre tract currently under contract. The site plan reflects that a significant portion of the 8.5 acre site is located within the 100 year floodplain. Based on the outcome of a competing development in Alton and its denial of funding from USDA because of its location in the flood plain, the Applicant expressed concerns that the USDA would not approve the 538 funding if the original site was pursued. On October 30, 2007 the Applicant submitted documentation that reconfigures the site and buildings in order to remove the structures and paved drives from the 100 year floodplain and results in the development of a 6.99 acre site which partially includes the original site but also includes 3+ acres that were not originally contemplated as part of the site. The site plan shift is shown in the above architectural drawings.

The revised site reflects all buildings and drives located outside of the 100 year floodplain. Due to the reconfiguration and decrease in the size of the site, the Applicant has also revised the building plans. The revised plans include 7 two-story buildings with 8 units each instead of the original all one-story fourplex buildings. Despite the reconfiguration of the building plans, the unit sizes and unit mix remains unchanged from those proposed at application. Additionally, the Applicant has indicated that the construction costs will not change as a result of the revisions. The Underwriter has fully evaluated the transaction based on the revisions to the site and buildings.

This section intentionally left blank.

As a result of the changes, the Phase I ESA was reviewed to ensure that the report included the new area encompassed by the revised site and to confirm the lack of flood plain or other potential environmental hazards on the new site. The Underwriter found that the ESA was not completed for the entire 20 acre site but only the portion of the site that was originally planned to be developed. The new/ revised site was not evaluated by the ESA provider. Pursuant to §49.9(h)(13)(G)(ii) of the 2007 QAP the Phase I ESA for the site must be provided to the Department by 5:00pm on April 2, 2007. Due to the failure to provide an ESA evaluating the entire site, the application has been terminated and is currently pending appeal. The underwriting report has been completed as a result of the Applicant's appeal of the termination and due to the compressed timeframe under which the remaining funds must be allocated and carryover must be met.

The Applicant provided a new Phase I ESA encompassing the entire 20 acres being purchased on November 29, 2007. This Phase I ESA has now been fully reviewed and incorporated into this underwriting report for the Board's consideration should the waiver of the original deadline be granted. The conclusions of the new report are discussed below and this report has been conditioned upon the Applicant's satisfaction of the new Phase I ESA report recommendations.

SITE ISSUES

Total Size:	<u>6.99</u> acres	Scattered site?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Flood Zone:	<u>Zones X & A</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Zoning:	<u>R-3</u>	Needs to be re-zoned?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

N/A

Comments:

Floodplain: As indicated above, a significant portion of the original site proposed residential buildings to be within the 100 year flood zone (Zone AH). The Applicant has since submitted a revised site plan in which all of the residential buildings appear to be located outside of the floodplain. However, a portion of the floodplain still appears to be used to meet the building setback requirements and an area labeled as "Court". Therefore, while it appears to be the intention of the Applicant to develop all of the buildings and paved drives outside of the floodplain, it is not clear that the portion of the site along the west boundary which is within the floodplain meets this objective. Receipt, review, and acceptance, by cost certification, of documentation that the buildings and drives are entirely outside of the floodplain or evidence that the development meets the 2007 QAP requirements for developments located within the 100 year floodplain is a condition of this report.

According to the 2007 QAP §49.6(a) "Floodplain. Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction."

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land
 South: unpaved roadway (proposed Oxford Street) /residential
 East: Trosper Road / residential / Public Utility Lift Station beyond
 West: vacant land / two retention ponds / citrus cropland beyond

Comments:

The site inspector noted, "Although the site location is close to local schools, I have a concern for the location in an isolated area with inadequate roads and run-down properties adjacent to site."

The Phase I ESA indicates that a dedicated paved roadway (Oxford St) is planned along the south boundary of the site (p. 8). However, the roadway is currently an unpaved dirt road. The Applicant's original site plan included an access drive from this dirt road. However, the revised siteplan does not require use of this unpaved roadway to gain access to the site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba-Kistner Consultants, Inc Date: 11/30/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- No recognized environmental concerns identified for the original site.

Comments:

The Phase I ESA submitted at application evaluates a 9.5 acre portion of the 20 acre tract under contract. The portion that is evaluated fully encompasses the Applicant's original 8.5 acre site. A majority of this original site lies within the 100 year floodplain. During underwriting the Applicant became aware that approval of the USDA 538 funds may be in jeopardy due to the plan to construct within the floodplain. As a result, the Applicant has chosen to reconfigure the site. A large portion of the revised 6.99 acre site was not evaluated in the Phase I ESA submitted at application.

As such, the submission of an acceptable Phase I ESA for the revised site was not provided by the deadline for third-party reports and the subject application was terminated accordingly. The Applicant has appealed to the Board for consideration and a waiver of the deadline. The application is not recommended for funding in accordance with §49.9(h)(13)(G)(ii) of the 2007 QAP.

A new Phase I ESA incorporating the entire 20 acre site was provided subsequent to the termination of the application for consideration as part of the Applicant's appeal of this issue. The new Phase I ESA has been fully reviewed and comes to the same conclusions as the original Phase I report except for a recommendation regarding scattered and buried waste at the site. The new Phase I ESA reflects the following recommendations:

- "It is recommended that all waste located on the west SITE grounds be disposed of at a permitted landfill facility" (p. 2).
- "It is recommended that all buried waste located on the northwest SITE grounds be excavated and disposed of at a State permitted landfill and exploratory trenching and/or geophysical evaluation be performed throughout the SITE in order to determine is any additional areas have been subject to unauthorized waste disposal activity in the past. Moreover, should the discovery of additional waste reveal the presence of hazardous materials and/or petroleum products, environmental sampling should be conducted to determine if subsurface features (i.e., soils and groundwater) have been impacted as a result of unauthorized waste disposal" (p. 2).

Should the Board choose to make an award, receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and subsequent environmental report recommendations have been carried out, including proper excavation and disposal of waste and exploratory trenching and/or geophysical evaluation, is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 3/10/2007

Contact: Darrell Jack Phone: 210.530.0040 Fax: 210.340.5830

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

The boundaries of the Primary Market Area are as follows: (p. 3)

North: E University Dr

East: N Taylor Rd

South: Hwy 83

West: E Goodwin Rd

Secondary Market Area (SMA):

The Market Analyst did not identify a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
La Villa de Alton	060095	76	76	N/A			
Los Ebanos Apts	07153	0	0				

Comments

Subsequent to the July 30, 2007 Board meeting, Los Ebanos Apartments (07153) was unable to satisfy the flood plain requirements for the USDA and therefore was removed from the 2007 9% HTC award list. The market study for the subject development did not include Los Ebanos Apartments as an unstabilized comparable development. Therefore, no adjustment to the number of unstabilized comparable units within the PMA is necessary. It should be noted, however, that the Underwriter is concerned about the potential for oversaturation within this market if the Applicant for Los Ebanos Apartments makes application during the 2008 cycle for 76 additional units within Alton.

INCOME LIMITS						
Hidalgo						
% 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							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	78	4	0	82	1	2	4%
1 BR/ 40% Rent Limit	44	3	0	47	1	0	2%
1 BR/ 50% Rent Limit	54	4	0	58	1	0	2%
1 BR/ 60% Rent Limit	63	4	0	67	1	18	28%
2 BR/ 30% Rent Limit	50	2	0	52	5	3	16%
2 BR/ 40% Rent Limit	66	2	0	68	5	0	7%
2 BR/ 50% Rent Limit	82	3	0	85	8	0	9%
2 BR/ 60% Rent Limit	65	5	0	70	16	28	63%
3 BR/ 30% Rent Limit	58	2	0	60	3	3	10%
3 BR/ 40% Rent Limit	78	3	0	80	3	0	4%
3 BR/ 50% Rent Limit	50	3	0	53	7	0	13%
3 BR/ 60% Rent Limit	46	4	0	50	18	22	80%
4 BR/ 30% Rent Limit	42	2	0	44	1	0	2%
4 BR/ 40% Rent Limit	56	2	0	58	1	0	2%
4 BR/ 50% Rent Limit	29	2	0	31	1	0	3%
4 BR/ 60% Rent Limit	34	3	0	37	1	0	3%

OVERALL DEMAND										
	Target Households	Household Size	Income Eligible	Tenure	Demand					
PMA DEMAND from TURNOVER										
Market Analyst p. 58	100%	27,399	93%	25,448	11%	2,789	100%	2,789	65%	1,799
Underwriter	100%	28,315	93%	26,299	35%	9,230	29%	2,709	65%	1,747

PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 58		93%	1,287	11%	141	100%	141	65%	91
Underwriter		93%	894	35%	291	29%	86	100%	86

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. 59	73	76	0	149	1,891	7.88%
Underwriter	73	76	0	149	1,833	8.13%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 96.4% as a stable demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing" (p. 11).

"The occupancy rate for the income restricted one bedrooms is 100%, for income restricted two bedrooms it is 95.5%, for the income restricted three bedroom units is 97.2%, for the income restricted four bedroom units is 100%, and the overall average occupancy for income restricted units is 97.5%" (p. 14).

Absorption Projections:

"Within the PMA, there has only been one "affordable" family rental project built within recent times. Pueblo de Paz is a 200 unit project, which began leasing in December 2003. The site reports that it reached a stabilized occupancy of 90% by August 2004 and is currently 95% occupied" (p. 13).

"Absorption over the previous sixteen years for all unit types is estimated to be 56 units per year. We expect new units to be absorbed as the number of new household continues to grow" (p. 11).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market		
1 BR 750 SF 30%	\$194	\$198	\$615	\$198	\$417		
1 BR 750 SF 40%	\$275	\$279	\$615	\$279	\$336		
1 BR 750 SF 50%	\$356	\$360	\$615	\$360	\$255		
1 BR 750 SF 60%	\$437	\$441	\$615	\$441	\$174		
2 BR 947 SF 30%	\$233	\$234	\$720	\$234	\$486		
2 BR 947 SF 40%	\$330	\$331	\$720	\$331	\$389		
2 BR 947 SF 50%	\$427	\$428	\$720	\$428	\$292		
2 BR 947 SF 60%	\$524	\$525	\$720	\$525	\$195		
2 BR 947 SF MR	\$635		\$720	\$635	\$85		
2 BR 947 SF EO	\$635		\$720	\$635	\$85		
3 BR 1,067 SF 30%	\$266	\$266	\$805	\$266	\$539		
3 BR 1,067 SF 40%	\$378	\$378	\$805	\$378	\$427		
3 BR 1,067 SF 50%	\$490	\$490	\$805	\$490	\$315		
3 BR 1,067 SF 60%	\$602	\$602	\$805	\$602	\$203		
3 BR 1,067 SF MR	\$761		\$805	\$761	\$44		
4 BR 1,251 SF 30%	\$293	\$293	\$925	\$293	\$632		
4 BR 1,251 SF 40%	\$418	\$418	\$925	\$418	\$507		
4 BR 1,251 SF 50%	\$543	\$543	\$925	\$543	\$382		
4 BR 1,251 SF 60%	\$668	\$668	\$925	\$668	\$257		

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Market Impact:

"In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes. Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market" (p. 107).

Comments:

The market study provided 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 projected net rents are the 2007 program maximum rents less the utility allowances maintained by the Housing Authority of the County of Hidalgo (HACH). The Underwriter used utility allowances from HACH that the Department received on February 10, 2006 and appear to be more current than those used by the Applicant. The Underwriter requested updated utility allowances for 2007; however, a response from HACH was never received. The maximum net program rents are achievable according to the Market Analyst. The Underwriter's use of the updated program rents results in a \$30K difference in potential gross rent. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. Despite the difference in net rents, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be responsible for electric and gas utility costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

The Applicant's total operating expense estimate of \$3,848 per unit is not within 5% of the Underwriter's estimate of \$3,472 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of payroll and payroll tax and water, sewer and trash are each significantly different than the Underwriter's estimates.

The General Partner of the Applicant qualifies as a CHDO, and the Applicant's property tax estimate reflects a 50% CHDO tax abatement. The Underwriter's property tax estimate also reflects a 50% tax abatement due to the organizational structure with CHDO involvement.

Additionally, the Applicant and Underwriter have used the Department's minimum reserve for replacements of \$250 per unit per year for new construction. However, USDA 538 funded properties have been required by the lender to accumulate a reserve for replacements balance of \$1,000 per unit after three years. This could require a minimum reserve for replacements of \$333 per unit per year for at least the first three years, which would push the Underwriter's expense to income ratio above the 65% maximum. Therefore, receipt, review, and acceptance, by 10% test, of documentation that the lender will not require reserve for replacements of greater than \$250 per unit per year or Board waiver of the 65% expense to income ratio is a condition of this report.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the Department's current maximum of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent debt based on the market 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).

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Of note, the Applicant's Year One proforma results in an expense to income ratio above the current 65% maximum per §1.32(i)(4) of the 2007 Real Estate Analysis Rules and Guidelines. Therefore, if the Applicant's proforma was used in the final analysis, the application would not be recommended for funding. However, the Underwriter's proforma is used and reflects an expense to income of 64.23%, which is slightly below the threshold.

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 were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 20 acres	\$137,420	Tax Year:	2006
One Acre:	\$6,874	Valuation by:	Hidalgo CAD
Prorata Value: 6.99 acres	\$48,052	Tax Rate:	2.7093

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract and Amendments Acreage: 19.99

Contract Expiration: 9/28/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$439,780 Other: \$22,000 per acre

Seller: Carlos L Guerra & Eugenio Botello Related to Development Team? Yes No

Comments:

The Contract indicates three extension fees were required in order to extend the contract beyond the TDHCA Board date; a forth extension required closing on or before September 28, 2007. Additional extension fees have been paid to extend the site control through November 28, 2007. The Contract indicates that the first three extension fees will not be credited toward the purchase price. As a result, the total purchase price is \$15,000 higher than the contract price.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

Acquisition Value:

The Applicant has provided an Unimproved Property Contract for 19.99 acres indicating a price of \$22,000 per acre. The proposed development as revised will occupied 6.99 acres, and the Applicant has estimated a prorata acquisition value of \$154,000 plus \$15,000 in extension fees and \$5,000 in closing costs. The contract clearly indicates that three of the extension fees will not be credited toward the purchase price. Additional extension fees have been paid to extend the site control through November 28, 2007; although these fees will be credit toward the purchase price. The Underwriter has used a prorata land value of \$187,000 plus a prorata value of \$5,245 for the three \$5,000 extension fees and \$5,000 in closing costs for a total acquisition cost of \$164,025.

Should the Applicant's development cost schedule ultimately be used to determine the gap in funds, the recommended financing structure will reflect a reduction by the difference in acquisition costs in order to prevent funding the overstated acquisition cost with tax credits.

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Off-Site Cost:

The Applicant claimed off-site costs of \$150,000 for extension of an 8-inch waterline, easement acquisition, and acquisition of water rights for 15 acre-feet and provided sufficient third party certification through a professional engineer to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,000 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 \$83K or 2% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant has indicated that the first floor units will have 100% ceramic tile flooring with a significantly higher flooring cost than what is typical for similar developments. Therefore, the Underwriter's cost estimate assumes an additional \$400K for ceramic tile flooring for these units. An adjustment to the credit amount may be necessary if ceramic flooring is not provided.

Contingency & Fees:

The Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$26,925, 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 \$6,616,910 supports annual tax credits of \$715,857. 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: 4/26/2007

Source: Bank of America Type: Interim Financing

Principal: \$1,700,000 Interest Rate: 7.32% Fixed Term: 24 months

Comments:

The interest rate will be equal to the 30-day LIBOR plus 200 basis points, which is estimated by the lender to be 7.32%.

Source: County of Hidalgo (Not Received) Type: Interim Financing

Principal: \$400,000 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

The Applicant indicated their intent to apply to the County of Hidalgo for a construction loan at AFR and a minimum 12 month term. Subsequently, the Applicant confirmed that this source of funds was not received. However, based on the sources and uses of funds, the Applicant has sufficient developer fee to defer during construction to fill the \$400K gap in funds.

Source: Lancaster-Pollard (USDA-RD Section 538) Type: Permanent Financing

Principal: \$1,400,000 Interest Rate: 4.9% Fixed Amort: 360 months

Comments:

The Lancaster-Pollard commitment indicates the permanent first lien mortgage will be a Section 538 USDA-RD loan. The loan will carry a fixed rate of 7.25% with interest rate credit to bring the rate down to the Applicable Federal Rate (AFR), estimated by the lender to be 4.9%. The loan will require a guarantee fee of \$35,000 and a mortgage fee of 0.5% of the outstanding debt amount payable monthly.

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The commitment indicates that the interest rate credit will only be available on an amount up to \$1,500,000. However, the interest rate on the 538 financing is below what can be achieved in the conventional market. If the Applicant has to seek additional debt from a non-USDA 538 source, the debt will likely carry a market rate. Therefore, the additional debt reflected in the recommended financing structure has been underwritten at a fixed market interest rate of 7.25%.

Source: CharterMac Capital Type: Syndication

Proceeds: \$6,142,000 Syndication Rate: 87% Anticipated HTC: \$ 705,994

Comments:

The syndication rate is on the low end of current credit prices. Any increase in the credit pricing would increase the equity contribution and warrant a comparable reduction in the tax credit recommendation.

Amount: \$61,894 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent debt by \$151,500 for a total of \$1,551,500. As a result the development's gap in financing will decrease. As indicated above, the additional debt has been underwritten at a market interest rate of 7.25% because the below market USDA 538 loan may be limited to \$1,400,000 as indicated by the Applicant.

The Applicant's total development cost estimate less the adjusted permanent debt of \$1,551,500 indicates the need for \$6,011,834 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$691,032 annually would be required to fill this gap in financing. Should the Board choose to make an award, of the three possible tax credit allocations, Applicant's request (\$705,994), the gap-driven amount (\$691,032), and eligible basis-derived estimate (\$715,857), the gap-driven amount of \$691,032 is recommended resulting in proceeds of \$6,011,834 based on a syndication rate of 87%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees. However, should the Applicant choose to defer developer fee rather than increase the permanent debt by \$151,500 (as indicated above), this amount of deferred developer fee is projected to be repayable within three years of stabilized operation. Moreover, this amount of deferred developer fee is \$90K more than originally anticipated by the Applicant.

Underwriter: _____ Date: 12/7/2007

Cameron Dorsey

Reviewing Underwriter: _____ Date: 12/7/2007

Raquel Morales

Director of Real Estate Analysis: _____ Date: 12/7/2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Casa Alton, Alton , 9% HTC #07302

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%	1	1	1	750	\$242	\$198	\$198	\$0.26	\$44.13	\$15.20
TC 40%	1	1	1	750	\$323	279	279	0.37	44.13	15.20
TC 50%	1	1	1	750	\$404	360	360	0.48	44.13	15.20
TC 60%	1	1	1	750	\$485	441	441	0.59	44.13	15.20
TC 30%	5	2	2	947	\$291	234	1,172	0.25	56.56	16.29
TC 40%	5	2	2	947	\$388	331	1,657	0.35	56.56	16.29
TC 50%	8	2	2	947	\$485	428	3,428	0.45	56.56	16.29
TC 60%	16	2	2	947	\$582	525	8,407	0.55	56.56	16.29
MR	1	2	2	947		635	635	0.67	56.56	16.29
EO	1	2	2	947		635	635	0.67	56.56	16.29
TC 30%	3	3	2	1,067	\$336	266	799	0.25	69.77	20.68
TC 40%	3	3	2	1,067	\$448	378	1,135	0.35	69.77	20.68
TC 50%	7	3	2	1,067	\$560	490	3,432	0.46	69.77	20.68
TC 60%	18	3	2	1,067	\$672	602	10,840	0.56	69.77	20.68
MR	1	3	2	1,067		761	761	0.71	69.77	20.68
TC 30%	1	4	2	1,251	\$375	293	293	0.23	82.15	24.66
TC 40%	1	4	2	1,251	\$500	418	418	0.33	82.15	24.66
TC 50%	1	4	2	1,251	\$625	543	543	0.43	82.15	24.66
TC 60%	1	4	2	1,251	\$750	668	668	0.53	82.15	24.66
TOTAL:	76		AVERAGE:	1,003		\$475	\$36,099	\$0.47	\$62.81	\$18.52

INCOME

Total Net Rentable Sq Ft: 76,240

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$11.97

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

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.58%	\$410	0.41	\$31,131	\$31,260	\$0.41	\$411	7.62%
Management	5.00%	270	0.27	20,540	20,512	0.27	270	5.00%
Payroll & Payroll Tax	16.19%	875	0.87	66,500	81,000	1.06	1,066	19.74%
Repairs & Maintenance	8.10%	438	0.44	33,270	34,200	0.45	450	8.34%
Utilities	3.49%	188	0.19	14,322	13,800	0.18	182	3.36%
Water, Sewer, & Trash	7.20%	389	0.39	29,581	39,000	0.51	513	9.51%
Property Insurance	6.50%	351	0.35	26,684	30,000	0.39	395	7.31%
Property Tax 2.7093	4.01%	217	0.22	16,473	17,339	0.23	228	4.23%
Reserve for Replacements	4.63%	250	0.25	19,000	19,000	0.25	250	4.63%
TDHCA Compliance Fees	0.71%	38	0.04	2,920	2,920	0.04	38	0.71%
Supp Serv, Sec, USDA Mort Fee	0.83%	45	0.04	3,400	3,400	0.04	45	0.83%
TOTAL EXPENSES	64.22%	\$3,471	\$3.46	\$263,821	\$292,431	\$3.84	\$3,848	71.28%
NET OPERATING INC	35.78%	\$1,934	\$1.93	\$146,979	\$117,813	\$1.55	\$1,550	28.72%

DEBT SERVICE

Lancaster-Pollard (w/rate credit)	21.70%	\$1,173	\$1.17	\$89,162	\$89,162	\$1.17	\$1,173	21.73%
USDA Mort Fee	1.69%	\$91	\$0.09	6,952	6,943	\$0.09	\$91	1.69%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	12.38%	\$669	\$0.67	\$50,865	\$21,708	\$0.28	\$286	5.29%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.22%	\$2,158	\$2.15	\$164,025	\$174,000	\$2.28	\$2,289	2.30%
Off-Sites		2.03%	1,974	1.97	150,000	150,000	1.97	1,974	1.98%
Sitework		8.22%	8,000	7.97	608,000	608,000	7.97	8,000	8.03%
Direct Construction		49.40%	48,051	47.90	3,651,876	3,735,000	48.99	49,145	49.32%
Contingency	0.98%	0.57%	551	0.55	41,875	41,875	0.55	551	0.55%
Contractor's Fees	14.00%	8.07%	7,847	7.82	596,383	608,020	7.98	8,000	8.03%
Indirect Construction		7.83%	7,617	7.59	578,900	578,900	7.59	7,617	7.64%
Ineligible Costs		5.60%	5,443	5.43	413,642	413,642	5.43	5,443	5.46%
Developer's Fees	15.00%	11.48%	11,169	11.13	848,861	890,000	11.67	11,711	11.75%
Interim Financing		2.46%	2,395	2.39	182,040	182,040	2.39	2,395	2.40%
Reserves		2.12%	2,066	2.06	157,038	191,832	2.52	2,524	2.53%
TOTAL COST		100.00%	\$97,272	\$96.97	\$7,392,639	\$7,573,309	\$99.34	\$99,649	100.00%
Construction Cost Recap		66.26%	\$64,449	\$64.25	\$4,898,134	\$4,992,895	\$65.49	\$65,696	65.93%

SOURCES OF FUNDS

			TDHCA	APPLICANT	RECOMMENDED		
Lancaster-Pollard (w/rate credit)	18.94%	\$18,421	\$18.36	\$1,400,000	\$1,400,000	\$1,400,000	Developer Fee Available
Lancaster Pollard (w/o rate credit)	0.00%	\$0	\$0.00	0	0	151,500	\$863,075
CharterMac Syndication	83.08%	\$80,816	\$80.56	6,142,000	6,142,000	6,011,834	% of Dev. Fee Deferred
Deferred Developer Fees	0.84%	\$814	\$0.81	61,894	61,894	0	0%
Additional (Excess) Funds Req'd	-2.86%	(\$2,780)	(\$2.77)	(211,255)	(30,585)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$7,392,639	\$7,573,309	\$7,563,334	\$763,824

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Casa Alton, Alton , 9% HTC #07302

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.81	\$4,178,358
Adjustments				
Exterior Wall Finish	0.00%		\$0.00	\$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.65)	(125,542)
Floor Cover			7.64	582,512
Breezeways/Balconies	\$23.30	13,458	4.11	313,551
Plumbing Fixtures	\$805	216	2.28	173,880
Rough-ins	\$400	0	0.00	0
Built-in Appliances	\$1,850	76	1.84	140,600
Exterior Stairs	\$1,800	14	0.33	25,200
Enclosed Corridors	\$44.89		0.00	0
Heating/Cooling			1.90	144,856
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$65.36	3,943	3.38	257,724
Other: fire sprinkler	\$1.95	0	0.00	0
SUBTOTAL			74.65	5,691,139
Current Cost Multiplier	0.98		(1.49)	(113,823)
Local Multiplier	0.81		(14.18)	(1,081,316)
TOTAL DIRECT CONSTRUCTION COSTS			\$58.97	\$4,496,000
Plans, specs, survy, bid prm	3.90%		(\$2.30)	(\$175,344)
Interim Construction Interest	3.38%		(1.99)	(151,740)
Contractor's OH & Profit	11.50%		(6.78)	(517,040)
NET DIRECT CONSTRUCTION COSTS			\$47.90	\$3,651,876

PAYMENT COMPUTATION

Primary	\$1,400,000	Amort	360
Int Rate	4.90%	DCR	1.65

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.53

Additional	\$0	Amort	
Int Rate		Aggregate DCR	1.53

RECOMMENDED FINANCING STRUCTURE:

Lancaster-Pollard (w/rate credit)	\$89,162
USDA Mort Fee	6,952
Lancaster Pollard (w/o rate credit)	12,402
NET CASH FLOW	\$38,463

Primary	\$1,400,000	Amort	360
Int Rate	4.90%	DCR	1.65

Secondary	\$151,500	Amort	360
Int Rate	7.25%	Subtotal DCR	1.53

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

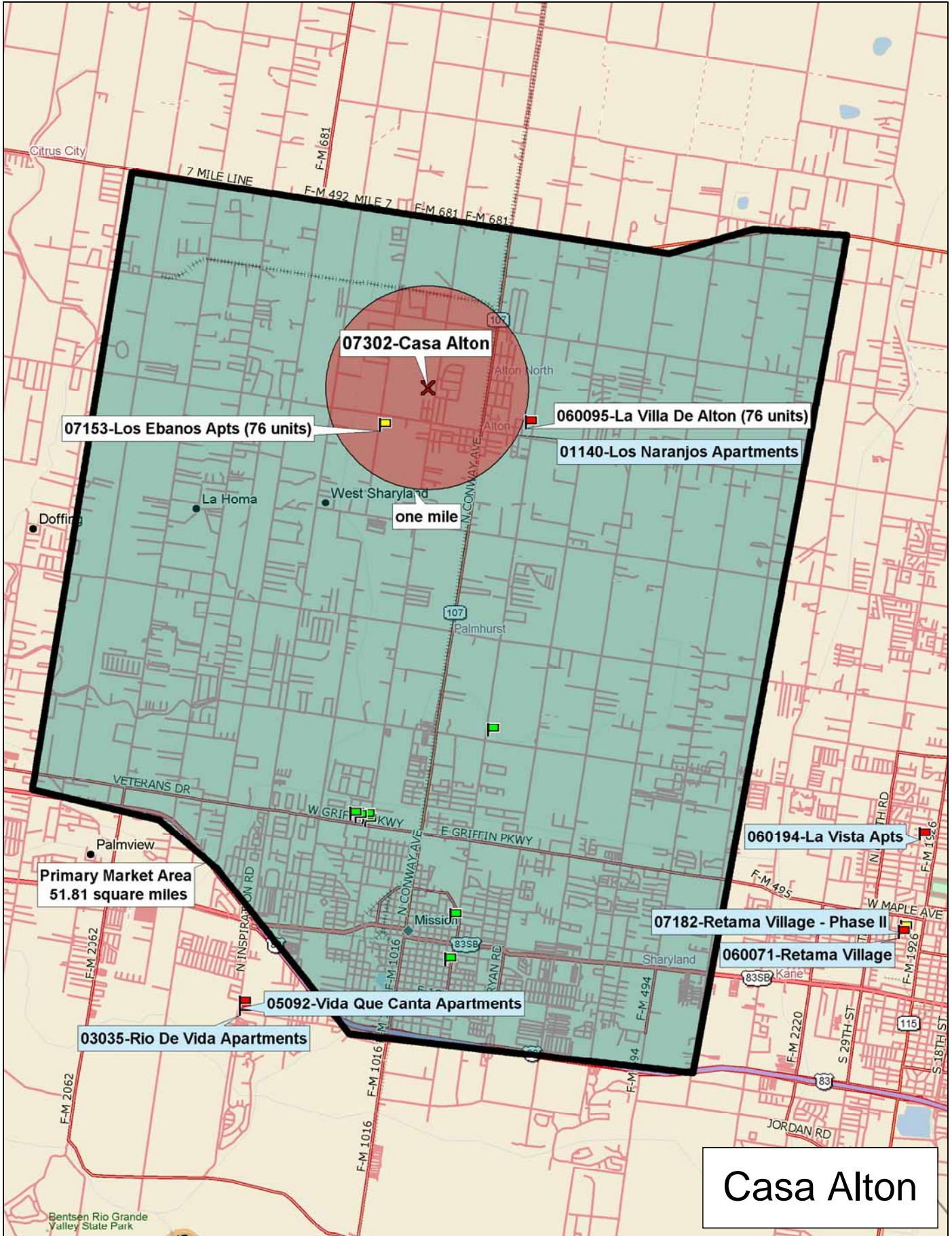
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$433,188	\$446,183	\$459,569	\$473,356	\$487,557	\$565,212	\$655,235	\$759,597	\$1,020,835
Secondary Income	10,920	11,248	11,585	11,933	12,291	14,248	16,517	19,148	25,734
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	444,108	457,431	471,154	485,288	499,847	579,460	671,753	778,745	1,046,569
Vacancy & Collection Loss	(33,308)	(34,307)	(35,337)	(36,397)	(37,489)	(43,459)	(50,381)	(58,406)	(78,493)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$410,800	\$423,124	\$435,817	\$448,892	\$462,359	\$536,000	\$621,371	\$720,340	\$968,076
EXPENSES at 4.00%									
General & Administrative	\$31,131	\$32,376	\$33,671	\$35,018	\$36,419	\$44,309	\$53,909	\$65,588	\$97,087
Management	20,540	21,156	21,791	22,445	23,118	26,800	31,069	36,017	48,404
Payroll & Payroll Tax	66,500	69,160	71,926	74,803	77,796	94,650	115,156	140,105	207,390
Repairs & Maintenance	33,270	34,601	35,985	37,424	38,921	47,354	57,613	70,095	103,758
Utilities	14,322	14,895	15,490	16,110	16,754	20,384	24,801	30,174	44,665
Water, Sewer & Trash	29,581	30,764	31,995	33,275	34,606	42,103	51,225	62,323	92,254
Insurance	26,684	27,751	28,861	30,016	31,217	37,980	46,208	56,219	83,218
Property Tax	16,473	17,131	17,817	18,529	19,271	23,446	28,525	34,705	51,372
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	6,320	6,573	6,836	7,109	7,394	8,995	10,944	13,315	19,710
TOTAL EXPENSES	\$263,821	\$274,168	\$284,923	\$296,102	\$307,722	\$373,064	\$452,352	\$548,573	\$807,112
NET OPERATING INCOME	\$146,979	\$148,955	\$150,894	\$152,789	\$154,637	\$162,936	\$169,019	\$171,767	\$160,964
DEBT SERVICE									
First Lien Financing	\$89,162	\$89,162	\$89,162	\$89,162	\$89,162	\$89,162	\$89,162	\$89,162	\$89,162
USDA Mort Fee	6,952	6,845	6,732	6,613	6,489	5,766	4,843	3,664	237
Other Financing	12,402	12,402	12,402	12,402	12,402	12,402	12,402	12,402	12,402
NET CASH FLOW	\$38,463	\$40,547	\$42,598	\$44,612	\$46,584	\$55,606	\$62,612	\$66,539	\$59,163
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.43	1.52	1.59	1.63	1.58

HTC ALLOCATION ANALYSIS -Casa Alton, Alton , 9% HTC #07302

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$174,000	\$164,025		
Purchase of buildings				
Off-Site Improvements	\$150,000	\$150,000		
Sitework	\$608,000	\$608,000	\$608,000	\$608,000
Construction Hard Costs	\$3,735,000	\$3,651,876	\$3,735,000	\$3,651,876
Contractor Fees	\$608,020	\$596,383	\$608,020	\$596,383
Contingencies	\$41,875	\$41,875	\$41,875	\$41,875
Eligible Indirect Fees	\$578,900	\$578,900	\$578,900	\$578,900
Eligible Financing Fees	\$182,040	\$182,040	\$182,040	\$182,040
All Ineligible Costs	\$413,642	\$413,642		
Developer Fees			\$863,075	
Developer Fees	\$890,000	\$848,861		\$848,861
Development Reserves	\$191,832	\$157,038		
TOTAL DEVELOPMENT COSTS	\$7,573,309	\$7,392,639	\$6,616,910	\$6,507,935

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			\$6,616,910	\$6,507,935
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$8,601,983	\$8,460,315
Applicable Fraction			97%	97%
TOTAL QUALIFIED BASIS			\$8,372,597	\$8,234,707
Applicable Percentage			8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			\$715,857	\$704,067

Syndication Proceeds	0.8700	\$6,227,806	\$6,125,239
Total Tax Credits (Eligible Basis Method)		\$715,857	\$704,067
Syndication Proceeds		\$6,227,806	\$6,125,239
Requested Tax Credits		\$705,994	
Syndication Proceeds		\$6,142,000	
Gap of Syndication Proceeds Needed		\$6,011,834	
Total Tax Credits (Gap Method)		\$691,032	

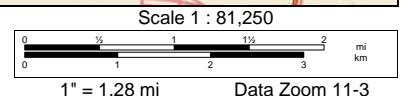
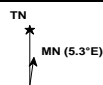


Casa Alton

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MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 20, 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

§50.9(c), 2008 Qualified Allocation Plan and Rules, entitled, “Adherence to Obligations,” states in part:

If a Development Owner does not produce the Development as represented in the Application; does not receive approval for an amendment to the Application by the Department prior to implementation of such amendment; 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 Competitive Housing Tax Credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by up to ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board.

(B) Prohibit eligibility to apply for Housing Tax Credits for a Tax-Exempt Bond Development that [is] submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for up to 24 months from the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for amendment; the

placed in service date; or the date the amendment is accepted by the Board, less any time delay caused by the Department.

(C) In addition to, or in lieu of, the penalty in subparagraph A or B of this paragraph, the Board may assess a penalty fee of to \$1,000 per day for each violation.

HTC No. 00032T, Victory Apartments

Summary of Request: The owner, 100 Victory, L.P., and the sponsor, the Houston Housing Authority, request approval to change the income targeting levels that were a condition of the original Underwriting Report. The original application in 2000 was for 100 units at 60% of Area Median Gross Income (AMGI). The original rent schedule was said to have shown less than the maximum tax credit rents because all units are also public housing, where tenants pay no more than 30% of their actual monthly income for rent. The original rent schedule was said to have been an attempt to state the restrictions and goals of the public housing authority in the somewhat dissimilar terms of the tax credit program. The rents used by the applicant in the rent schedule and by the Department in the original underwriting report were the same (within one dollar per unit). Consistent with the rent schedule, underwriting report and with the Department's understanding of the applicant's intentions from conversations with the applicant's financial consultant, the underwriting report conditioned the development to restricting one-third of the units to households with 0% to 15% of AMGI, another third to those with 16% to 30% of AMGI and the final third to those with 31% to 40% of AMGI. The owner indicated that its intent in providing the information in the rent schedule was not to restrict the incomes beyond 60% AMGI, but only to show the probable actual rental income from the development.

The approval of the housing tax credits was made in conjunction with an issuance of tax-exempt bond financing with a local issuer. For bond covenant purposes, rents are restricted to 50% of AMGI and incomes restricted to 60% of AMGI. There are no issues involving scoring or competition with other applications.

As public housing units, 100% of the units in the property are entitled to an operating subsidy based upon the deficit between the maintenance costs and the rental income. The U.S. Department of Housing and Urban Development (HUD) is reportedly currently only paying 82% of the deficit and therefore is not providing the full subsidy needed to support the units as proposed. Originally, the underwriting report estimated that this subsidy would not be needed if the development achieved its targeted rents. Because of concern about the financial feasibility of the development, the owner is now requesting to restrict both the rent and income of 37 units to households with 30% of AMGI, another 37 units to those with 40% of AMGI and the final 26 units to those with 50% of AMGI. This will decrease the subsidy to the development because the maximum subsidy is limited to the lesser of 90% of HUD's subsidy to the housing authority for public housing units and the difference between rental income and operating expenses, excluding debt service. Public housing is not permitted to carry debt service.

The development currently has ten tenants over the 50% income of AMGI. The owner is requesting relief from the income restriction for these ten tenants. The owner's counsel stated that the ten units were rented based on the restrictions proposed in the application and apparently in ignorance of the condition of the determination notice that increased the restrictions. The units will be replaced with 50% income qualified tenants as the current tenants leave. Both the two permanent lenders, the City of Houston and Victory Street Housing Facilities Corporation, and the syndicator, Enterprise Social Investment Corporation, agree that the development is at a financial risk without the changes requested and all have submitted letters confirming this as required under Section 50.17(d)(8) of the 2008 QAP.

The owner requests that, if a penalty is applicable to this request, the penalty be waived because the request is not an attempt to renege on the original development proposal.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification considered significant by the board.
Owner:	100 Victory, L.P.
General Partner:	Victory Redevelopment Corporation
Developers:	Housing Authority of the City of Houston

Principals/Interested Parties: Housing Authority of the City of Houston; The Chase Affordable Housing Fund, L.P. (investor, only)

Syndicator: The Enterprise Social Investment Corporation

Construction Lender: Bank of America

Permanent Lender: Bank of America, Victory Street Public Facility Corporation

Other Funding: City of Houston HOME Funds

City/County: Houston/Harris

Set-Aside: Tax Exempt Bond Financing

Type of Area: Urban

Type of Development: New Construction

Population Served: General Population

Units: 100 HTC units

2000 Allocation: \$356,004

Allocation per HTC Unit: \$3,560

Prior Board Actions: 7/00 – Approved award of tax credits

Underwriting Reevaluation: The proposed change will not impact the financial feasibility due to the existence of the ongoing operating subsidy that is controlled by the general partner (Houston Housing Authority)

Staff Recommendation: **Staff recommends denying the request because the request will not serve the lowest income level tenants as originally agreed upon.**

Penalty Assessment: **If the Board approves the amendment as is, the staff recommends the assessment of penalty under Section 50.9(c) of the QAP (stated earlier in this presentation) as well as consistency of the Board’s decision with Section 50.17(d)(8) of the QAP which states: “For amendments that involve ... a reduction in the number of low-income Units at any level of AMGI represented at the time of Application ... [T]he Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued feasibility of the Development.”**

HTC No. 04105, Preston Trace

Summary of Request: The owner requested approval to eliminate the participation of a Historically Underutilized Business (HUB) in the development owner. The development owner is currently under the control of an affiliate of the syndicator, Alliant Capital, and an affiliate of the Frisco Housing Authority. The syndicator replaced the for profit original co-general partner (Dan Allgeier). The original HUB one-third co-general partner (Texas Housing Associates, Inc.) is said to have withdrawn shortly after the original award was made. The HUB that was proposed in the application as a member of the general partner, was originally to have joined an affiliate of the developer and the housing authority as an owner. However, the HUB never formally became a member of the partnership. The score of the application was high and the application would have been recommended for an award even without the points obtained for proposing the HUB's participation. The Owner's initial request for these partnership changes was made in the fall of 2006.

Staff has identified several amenity items that were not confirmed during the inspection process however the owner has disputed the inspectors conclusions and is to provide documentation that the amenities are present in the development.

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

Owner: Housing Associates of Frisco, LP

General Partner: Alliant Holdings of Preston Trace, LLC

Developers: Preston Trace Corporation (Dan Allgeier)

Principals/Interested Parties: Alliant Capital; Frisco Housing Authority; Dan Allgeier

Syndicator: Alliant Capital

Construction Lender: Washington Mutual

Permanent Lender: Frisco Housing Trust

Other Funding: NA

City/County: Frisco/Collin

Set-Aside: At-Risk

Type of Area: Urban

Type of Development: Rehabilitation

Population Served: General Population

Units: 38 HTC units and 2 market rate units

2004 Allocation: \$134,641 (original allocation)

Allocation per HTC Unit: \$3,543

Prior Board Actions: 7/04 – Approved award of tax credits

Underwriting Reevaluation: NA – No factors affecting cost have changed.

Staff Recommendation: **Staff recommends denying the request despite the participation of the Frisco Housing Authority as a nonprofit in the development operations because in the year of application, points for nonprofit participation were not available and therefore would not have substituted for a HUB in 2004. In the event the Board considers approval, staff recommends the owner provide evidence of the unconfirmed amenities.**

Penalty Assessment: **Staff recommends the assessment of penalties because although the initial substitution request was submitted prior to December 1, 2006 when the penalties became effective, the owner did not finalize the request or pay the request fee until September of 2007. Staff recommends that penalties be applied to the remaining partners**

because the representation to have a HUB general partner was not fulfilled nor the HUB replaced with another qualified HUB.

HTC No. 04118, Churchill at Commerce Apartment Community

Summary of Request: This amendment was presented at the August 23rd Board meeting and was postponed because the Board wanted to know if the Board had the legal ability to reduce the penalty to a number of points less than the points indicated in the QAP. The Department's general counsel has determined that based on the QAP's waiver authority and the discretion provided to the Board in state and federal law to administer the tax credit program, it is permissible for good cause to consider the penalties to be a range of up to the maximum amount under §50.22 of the QAP. The owner requested approval for a change in the common area, site plan, and in the number of residential buildings from seven to nine. The development's common area was stated in the application as 3,544 square feet, including a 3,208 square foot office and clubhouse and a separate 336 square foot building that was to have contained a laundry room and mailroom. However, only the 3,208 square foot clubhouse was included by the Department in underwriting the development. Subsequent to the August 23, 2007 Board meeting, the owner has proposed an additional 443 square foot community building (384 square feet of interior area and 59 square feet of porch) to compensate for the reduction of the original community space. The owner stated that the building would cost \$30,000. The owner stated that the decrease in size was a result of eliminating wasted space to increase energy efficiency and specified that all of the amenities that the common area was originally proposed to contain, were included in the final space.

Regarding the increase in residential buildings from seven to nine, the owner stated that the original seven two-story buildings were replaced by five two-story buildings and four one-story buildings. The owner stated that the change was to create diversity in the design of the development and to increase the convenience of access from parking areas by bringing the parking spaces closer to the buildings. The owner noted that the revised design was more expensive than the original. The final site plan spreads the buildings over 8.206 acres instead of 6.918 of a total site area of 11.135 acres. The final development site included the entire 11.135 acres that were purchased.

In addition, the owner has added a 1.5 acre soccer field, children's playground, microwave ovens and R-15 wall systems and R-30 ceiling systems. The owner stated the cost of the additional amenities as about \$45,000.

The owner requests that any penalty that might otherwise result from the changes be waived. It should be noted, the development community was put on notice of the adherence to obligations and penalties in the 2006 Qualified Allocation Plan and Rules (QAP), to be effective December 1, 2006. The 2007 QAP §49.9(c) officially made the penalties effective. This owner had over a year to request this amendment without any penalty. Other amendments with other developments related to this developer have been requested and approved in the past two years without penalty.

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, reduction of three percent or more in the square footage of the units or common areas, significant modification of the architectural design and any other modification considered significant by the board.
Owner:	Commerce Family Community, L.P.
General Partner:	LifeNet-Commerce G.P., LLC
Developers:	Churchill Residential, Inc. (CRI); LifeNet Community Behavioral Healthcare
Principals/Interested Parties:	LifeNet Community Behavioral Healthcare (NP); Brad Forslund (CRI)
Syndicator:	MMA Financial Bond Warehousing, LLC
Construction Lender:	MMA Financial, LLC
Permanent Lender:	MMA Financial, LLC

Other Funding: Federal Home Loan Bank of Dallas
City/County: Commerce/Hunt
Set-Aside: Nonprofit
Type of Area: Rural
Type of Development: New Construction
Population Served: General Population
Units: 90 HTC units and 10 market rate units
2004 Allocation: \$727,212 (Original allocation)
Allocation per HTC Unit: \$8,080
Prior Board Actions: 7/04 – Approved award of tax credits
Underwriting Reevaluation: REA found no net negative affect on feasibility and recommended no change in the credit amount.

Staff Recommendation: **Staff recommends approving the request because the substitute features and design change appear to be acceptable. The changes would have had no effect on scoring or on the award of tax credits. Staff does not intend this recommendation to be viewed as support for the owner’s action in eliminating a part of the development’s common area or other changes made without the Department’s prior approval.**

Penalty Assessment: **Staff recommends the penalty assessment (the QAP language was presented on the first page of this write up) because the amendment was requested after the implementation of the changes and the development features substantially changed without prior notice to the Department.**

HTC No. 04191, Tropical Gardens at Boca Chica

Summary of Request: The owner requested approval for a number of changes that were made to the original development proposal. One change was to reduce the one bedroom units by one unit and add one unit to the two bedroom units. The additional two bedroom unit constitutes the substitute feature. The owner will also install full perimeter fencing and controlled access as represented in the original application and will provide evidence that the refrigerators installed are Energy Star equivalent. Subsequent to the publication of this amendment on December 4, 2007, the Department received an independent confirmation that the refrigerators are not Energy Star equivalent as stated by the owner.

Approval also was requested to amend the unit amenities by eliminating self-cleaning ovens (scored one point) in all units. As substitutes, the owner proposed laundry connections (one point), carports (two points) for all units, and 100% masonry exterior (three points). The owner had an excess of points above the maximum scores allowed for both common amenities and unit amenities and the amenities proposed as substitutes more than compensate for the one point that was associated with the self-cleaning ovens. However, although not used to score points, the proposed substitutes were represented in the unit plans, building plans and/or site plan and were, therefore, representations of the application. Because the proposed substitutes already were representations of the application, they may not be used as substitutes to replace the self-cleaning ovens. The owner therefore proposed to employ as a substitute the fact that the development has more net rentable area than originally proposed as the substitute feature. The application underwriting report stated 151,350 square feet as the net rentable area and the cost certification rent schedule stated the figure as 152,308, an increase of 958 square feet (0.6% of the original area). Although the change is small, it is reasonable to view it as being commensurate with the magnitude of the self-cleaning ovens being replaced.

A change in the site plan is the final change that requires approval. The final site plan retained a road that ran from north to south through the original site and that would have been demolished if the application site plan had been implemented. Although the road was not drawn into the application's proposed site plan, the road still exists in the property as actually developed. The road runs more or less through the middle of the site from north to south and including the two entrances into the subject site that are associated with the road, the final site plan has five entrances into the property. The plan proposed in the application had only one entrance.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development. The statute defines material alterations as a change to the unit mix, as well as any other modification considered significant by the board.
Owner:	Longbranch, L.P.
General Partner:	Longbranch X, Inc.
Developers:	Brownsville Housing Finance Corporation; LJB Holdings, Inc.
Principals/Interested Parties:	Housing Authority of the City of Brownsville; Leon J. Backes; Saleem Jafar
Syndicator:	AIG SunAmerica
Construction Lender:	International Bank of Commerce
Permanent Lender:	International Bank of Commerce
Other Funding:	Brownsville Housing Authority
City/County:	Brownsville/Cameron
Set-Aside:	At-Risk
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	General Population
Units:	150 HTC units and 8 market rate units

2004 Allocation: \$1,010,465
Allocation per HTC Unit: \$6,736
Prior Board Actions: 7/04 – Approved award of tax credits
Underwriting Reevaluation: Pending submission of information by the applicant.

Staff Recommendation: **Staff recommends approving the request requiring the owner to provide a budget for the perimeter fencing and access gate and evidence of the Energy Star equivalency rating.**

Penalty Assessment: **Staff recommends the penalty assessment (the QAP language was presented on the first page of this write up) because the amendment was requested after the implementation of the changes and the development features substantially changed without prior notice to the Department.**

HTC No. 04193, Providence at Edinburg

Summary of Request: This amendment was presented to the Board in November. The Board tabled the amendment and requested staff to work with the developer/owner to resolve the issues of the omission of amenities and the financial feasibility. The developer stated to the Board that he would provide the following amenities: gazebo, community garden, transportation services at no cost to the tenants, BBQ grills and tables, gaming tables with chairs, public phone, lawn bowling or shuffle board court, service coordinator, icemakers in the refrigerators, cover all parking spaces and Energy Star or equivalently rated appliances. The Applicant's most current response partially retracts the Energy Star or equivalent appliances by indicating that some of the appliances chosen have lower utility usage, though they are not rated as Energy Star certified. He also indicated that the property is an all bills paid development and therefore the need for Energy Star features is irrelevant.

Staff has confirmed the presence of the gazebo, community garden, transportation vehicle, one BBQ grill, chairs in the community building and office space for a service coordinator. The owner has stated they will provide the remaining amenities.

The following paragraphs are from the November presentation. The owner requested approval to change the site plan, unit plans, and building plans. The original application listed the development activities as acquisition, rehabilitation, and new construction. After submission, the application was changed to demolition and new construction and was evaluated as such. The development was then built as a rehabilitation of existing buildings. The application file contained an electronic mail sent by Department staff on February 27, 2004 instructing the applicant that the rehabilitated units would have to comply with the unit size requirements that were mandatory for new construction.

The underwriting report for this development was completed on December 8, 2004 and the Commitment Notice was issued on December 13, 2004. The underwriting report clearly states that new construction was confirmed with the applicant. In the section entitled "Proposal and Development Plan Description" on page 2 of the report, staff stated: "...some of the documentation in the application refer[s] to a rehabilitation of the existing buildings. However the majority of the documentation refers to the existing buildings being demolished and the Applicant subsequently confirmed this in writing saying that '...systems in the buildings since the date of the application have experienced significant failures making it a better economic choice to rebuild new....'" In the letter requesting this amendment, the owner's assertion that the Board's approval of an extension of the commencement of construction deadline in December of 2005, after the award was made, constituted an approval of rehabilitation as the construction activity, appears to be both unfounded and unsupportable as a rationalization for further action. If the Board had made such an approval it would have reversed the allocation to new construction without underwriting the new development proposal. Nevertheless, the amendment request appeared to state, in essence that the inclusion of the term "Rehabilitation" (i.e., in "Rehabilitation/New Construction") in the extension request write-up constituted an approval for the owner to proceed with rehabilitation instead of new construction. Staff disagrees with the conclusion of the applicant.

The application proposed 28 efficiencies and 72 one-bedroom units. However, 40 efficiencies and 60 one-bedroom units were built. The efficiencies are 26% smaller than the minimum required for new construction (500 square feet required for elderly units) and 29% smaller than unit size proposed in the application. The one bedroom units are 7% smaller (550 square feet required for elderly units) than the minimum required for new construction and 15% smaller than proposed in the application. The differences in unit mix, unit size, and net rentable area between the development as finally described in the application and as built are given in the table below. The table assumes that the development will meet the original target rents but this intention has not been confirmed by the owner.

Number	Application			Number	Cost Certification		
	Unit Type	Size	NRA		Unit Type	Size	NRA
5	Efficiency	522	2,610	5	Efficiency	370	1,850
23	Efficiency	522	12,006	35	Efficiency	370	12,950
4	1BR/1Bath	600	2,400				
8	1BR/1Bath	600	4,800				
<u>60</u>	1BR/1Bath	600	<u>36,000</u>	<u>60</u>	1BR/1Bath	511	<u>30,660</u>
100			57,816	100			45,460

In addition to the differences noted in the table, the development failed to deliver many of the amenities that were proposed. Among the amenities that were cited as absent by the Department’s inspectors or by staff reviewing the cost certification, were the following:

- A condition of the commitment required one parking space per unit or documentation of compliance with local code and “best practices”. Parking changed from 60 open spaces proposed in the application to 58 open spaces and 30 carports as built, but documentation to meet the requirement has not been submitted.
- One building with four floors was proposed but the rehabilitation consisted of two seven-story residential buildings and one single-story common building.
- Nine foot ceilings, dishwashers, microwave ovens, self-cleaning or continuous-cleaning ovens, refrigerators with ice-makers, storage rooms or closets, covered patios or balconies, Energy Star or equivalent kitchen appliances and community room with warming kitchen or full kitchen are all required but have not been documented by the owner as present.
- The developer represented that a service coordinator, game/recreation room, shuffleboard court, and public telephone would all be provided. These have not been confirmed because we have not yet re-inspected the property.

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, significant modification of the architectural design, and any other modification considered significant by the board.

Owner: Chicory Court XXX, L.P.

General Partner: Chicory GP-XXX, LLC

Developers: ORH Financial, LP (developer); Edinburg Housing Opportunity Corporation (EHOC, co-developer & managing member of GP)

Principals/Interested Parties: Housing Authority of the City of Edinburg (owner of EHOC); Saleem Jafar (ORH)

Syndicator: SunAmerica

Construction Lender: IBC Bank in Brownsville

Permanent Lender: SunAmerica

Other Funding: Edinburg Housing Authority

City/County: Edinburg/Hidalgo

Set-Aside: At-Risk, Nonprofit

Type of Area: Urban/Exurban

Type of Development: New construction

Population Served: Elderly Population

Units: 100 HTC units

2004 Allocation: \$357,369

Allocation per HTC Unit: \$3,574

Prior Board Actions: July, 2004 - Approved award of tax credits

Underwriting Reevaluation: Pending submission of information by the applicant.

Staff Recommendation: Staff recommends the owner provide documentation or evidence of all the amenities not yet confirmed. Staff believes the Board requested this information from the developer at the November Board meeting. Staff also recommends the owner provide a budget and escrow the full amount stated in the budget for the remaining amenities.

Penalty Assessment: Staff recommends the assessment of the penalties pursuant to §50.9(c) of the Qualified Allocation Plan and Rules because the amendment request was made after the change had been implemented. The penalties should be assessed against the general partner and any special limited partners, as applicable, for having developed the property inconsistently with the application.

Staff makes no recommendation to the Board about assessing similar penalties to the co-developer as it is not directly covered under the rules. However, because the co-developer and affiliates acted on behalf of the owner during the application and post award processes according to their own statements in the amendment request, they were knowingly complicit in violating the rules.

HTC No. 04255, Freeport Oaks

Summary of Request: The owner requested approval to amend the application with respect to the participation of a Historically Underutilized Business (HUB) as the general partner. The original HUB lost its HUB status because its request for recertification was denied by the Texas Building and Procurement Commission (TBPC). The HUB certificate presented in the application expired on May 20, 2007. The participation of a HUB as majority owner of the general partner was worth three points in the application. To compensate for the loss of the HUB status of the owner, the owner requested to substitute the participation of HUBs in the development of the property in a manner similar to the manner contemplated in §50.9(i)(25)(A) of the 2008 QAP, which states, “An Application will receive these two points for submitting a plan to use Historically Underutilized Businesses in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas.” The owner’s general contractor provided an account of the HUBs actually used during development (eight of 25 contractors were HUBs) and the owner will commit to use HUBs in the operation of the property in compliance with the guidelines of the TBPC if necessary for the Board’s approval of this amendment.

The subject application scored three points for the HUB based on the 2004 QAP. Even with the loss of all three of the HUB points, the application still would have been recommended for an award of tax credits.

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

Owner: Freeport Oaks, LP

General Partner: Freeport Oaks Partners, LLC

Developers: Kilday Partners, LLC

Principals/Interested Parties: Les Kilday, R.R. Kilday, Dianne Kilday (HUB)

Syndicator: MMA Financial

Construction Lender: Bank of America

Permanent Lender: MMA Financial

Other Funding: Bozrah International Ministries

City/County: Freeport/Brazoria

Set-Aside: General Population

Type of Area: Exurban

Type of Development: New Construction

Population Served: General Population

Units: 80 HTC units and 20 market rate units

2004 Allocation: \$639,213

Allocation per HTC Unit: \$7,990

Prior Board Actions: 7/04 – Approved award of tax credits

Underwriting Reevaluation: NA – No factors affecting cost have changed.

Staff Recommendation: **Staff recommends the Board deny the request and require the replacement of the HUB with another HUB because the owner represented the use of a HUB in the development and operation of the development.**

Penalty Assessment: **Staff recommends the assessment of the penalties pursuant to §50.9(c) of the Qualified Allocation Plan and Rules because the HUB is no longer a certified HUB and the amendment request was made after the loss of the HUB certification. The penalties should be assessed against the**

general partner and any special limited partners, as applicable, for having developed the property inconsistently with the application.

HTC No. 04260, TownePark Fredericksburg II

Summary of Request: The owner requested approval to amend the application with respect to the participation of a Historically Underutilized Business (HUB) as the general partner. The original HUB lost its HUB status because its request for recertification was denied by the Texas Building and Procurement Commission (TBPC). The HUB certificate presented in the application expired on May 20, 2007. The participation of a HUB as majority owner of the general partner was worth three points in the application. To compensate for the loss of the HUB status of the owner, the owner requested to substitute the participation of HUBs in the development of the property in a manner similar to the manner contemplated in §50.9(i)(25)(A) of the 2008 QAP, which states, “An Application will receive these two points for submitting a plan to use Historically Underutilized Businesses in the development process consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas.” The owner’s general contractor provided an account of the HUBs actually used. Seven of twenty contractors were HUBs. The owner also will commit to use HUBs in the operation of the property in compliance with the guidelines of the TBPC if necessary for the Board’s approval of this amendment.

The subject application scored three points for the HUB based on the 2004 QAP. Even with the loss of all three of the HUB points, the application still would have been recommended for an award of tax credits.

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

Owner: TownePark Fredericksburg II, LP

General Partner: Fredericksburg Housing II, LLC

Developers: MFHA Development Company LLC; Kilday Partners, LLC

Principals/Interested Parties: Texas Housing Foundation; Les Kilday, R.R. Kilday, Dianne Kilday (HUB)

Syndicator: Paramount Financial Group

Construction Lender: Security State Bank and Trust

Permanent Lender: Column Guaranteed LLC

Other Funding: Federal Home Loan Bank of Dallas (grant)

City/County: Fredericksburg/Gillespie

Set-Aside: Nonprofit

Type of Area: Rural

Type of Development: New Construction

Population Served: Elderly

Units: 39 HTC units and 5 market rate units

2004 Allocation: \$225,361

Allocation per HTC Unit: \$5,778

Prior Board Actions: 7/04 – Approved award of tax credits
5/05 – Approved amendment of unit mix

Underwriting Reevaluation: NA – No factors affecting cost have changed.

Staff Recommendation: **Staff recommends the Board deny the request and require the replacement of the HUB with another HUB because the owner represented the use of a HUB in the development and operation of the development.**

Penalty Assessment: **Staff recommends the assessment of the penalties pursuant to §50.9(c) of the Qualified Allocation Plan and Rules because the HUB is no longer a certified HUB and the amendment request was made after the loss of the HUB certification. The penalties should be assessed against the**

general partner and any special limited partners, as applicable, for having developed the property inconsistently with the application.

HTC No. 04427, Rosemont at Hidden Creek

Summary of Request: After completion, the owner has requested approval to change the unit mix with regard to the one-bedroom and two-bedroom units. The development was proposed to contain 52 one-bedroom units; this changed to sixty-four one-bedroom units. The development was to have had 112 two-bedroom units; this changed to 100 two-bedroom units. The number of three bedroom units, 86, has not changed, nor has the total number of units, 250 units. The changes were made because the buildings that were originally proposed were not designed to contain the unit mix that was proposed.

Approval was also requested for a change in the number of parking spaces. The application proposed 525 open parking spaces or 2.1 spaces per unit, but only 388 spaces were built. The parking ratio as-built, 1.6 spaces per unit, was approved by the City of Austin in accordance with their permitting process. To compensate for the loss of twelve bedrooms, twelve bathrooms, 2,400 square feet of rentable area and 137 parking spaces, the owner has requested approval to substitute the following existing features: a furnished fitness center, library and ice-makers in the refrigerators of all units.

Governing Law: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development. A modification of the number of units or the bedroom mix of units is statutorily defined as a material alteration, as is any other modification considered significant by the board.

Owner: TX Old Manor Housing, L.P.
General Partner: TX Old Manor Development, L.L.C.
Developers: Southwest Housing Development Company, Inc.; Housing Services Incorporated (nonprofit)

Principals/Interested Parties: Housing Services Incorporated (Owner of GP); Brian Potashnik (special limited partner)

Syndicator: Paramount Financial Group
Construction Lender: GMAC Commercial Capital Holding Corp.
Permanent Lender: GMAC Commercial Capital Holding Corp.
Other Funding: NA
City/County: Austin/Travis
Set-Aside: Tax-Exempt Bond Financing
Type of Area: Urban
Type of Development: New Construction
Population Served: General Population
Units: 250 HTC units
2004 Allocation: \$906,289
Allocation per HTC Unit: \$3,625
Prior Board Actions: July, 2004 - Approved award of tax credits
Underwriting Reevaluation: Pending Review

Staff Recommendation: **Staff believes these changes are significant and are not in keeping with current policies, but nevertheless recommends approving the request because the substitute features that were constructed appear to be acceptable.**

Penalty Assessment: **Staff recommends the penalty assessment (on page one of this presentation) because the amendment was requested after the**

implementation of the changes and the development features substantially changed without prior notice to the Department.

HTC No. 05004, Samuels Place

Summary of Request: This amendment was presented to the Board in November. The Board tabled the decision to allow staff to research industry assumptions and report back to the Board of their findings.

The following paragraphs were presented to the Board in November:

The owner requested approval to change the rent targeting. The development originally committed in its application to have twelve units restricted for use by tenants qualifying at 30% of AMGI. The owner now proposes to restrict only four units to 30% rents with the remaining eight of the original twelve units being restricted to rents at 60% of AMGI. The letter of request stated that easing the restrictions is necessary to allow the development to service the increase in the debt that was necessary to cover the increases in building costs that have occurred. The increases were said to have resulted from the small size of the development, noise reduction measures, and sloping topography. The change would not have affected the score of the application because the development still has 10% of the units serving 30% AMGI.

The Department’s underwriting analysis of the owner’s proposal suggests that resizing the debt financing and increasing the deferred fees would allow the development to remain feasible with eight units restricted to rents at the 30% of AMGI level. §50.17(d)(8) of the Qualified Allocation Plan and Rules states “In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants targeted in the original Application, the following procedure will apply. For amendments that involve a reduction in the total number of low income Units being served, or a reduction in the number of low income Units at any level of AMGI represented at the time of Application, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued feasibility of the Development.” The lender and syndicator have issued letters stating that without the change in the rent levels the development will be financially infeasible.

The Real Estate Analysis Division was directed by the Board to review the syndicator’s assumptions regarding the amount of deferred developer fee and the ability to reasonably repay same. The Underwriter looked at growth assumptions of 2% and 3% rather than the 3% and 4% required in the current rules but concluded that they could still repay the anticipated amount of the deferral in 15 years (which is the limit in section 1.32 of the Real Estate Analysis Rules).

- Governing Law: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification considered significant by the board.
- Owner: Samuels Avenue LP
- General Partner: Pioneers of Samuels, LLC
- Developers: Carleton Development, Ltd.
- Principals/Interested Parties: Fort Worth Affordability, Inc., nonprofit owner of GP; Printice Gary, David Kelly, Neal Hildebrandt, owners of CGB Southwest, special limited partner
- Syndicator: Apollo Housing Capital, LLC
- Construction Lender: Chase Bank, N.A.
- Permanent Lender: Chase Bank, N.A.
- Other Funding: City of Fort Worth HOME Funds
- City/County: Fort Worth/Tarrant
- Set-Aside: General
- Type of Area: Urban

Type of Development: New Construction
Population Served: General Population
Units: 36 HTC units
2005 Allocation: \$254,842 from 2005 credit ceiling plus \$20,734 from 2008 credit ceiling
Allocation per HTC Unit: \$7,655
Prior Board Actions: 7/05 – Approved award of tax credits
Underwriting Reevaluation: As of the date of this posting the Underwriter’s analysis still concludes that up to eight units can be restricted to 30% rents without eliminating the development’s financial feasibility. However staff is continuing to gather additional information. No change in the award amount is recommended.

Staff Recommendation: **Staff recommends that eight units be restricted to 30% rents, the most that the Department’s underwriting analysis indicates can remain restricted while maintaining financial feasibility.**

Penalty Assessment: **No penalty assessment under 50.9(c) of the Qualified Allocation Plan and Rules (as stated at the beginning of this presentation) is recommended because the amendment is requested in advance of the changes being instituted.**

HTC No. 05026, Mesa Vista

Summary of Request: The owner previously (December 14, 2005 Board Meeting) received an amendment to increase the size of the site from four to six acres. The owner has now requested approval to change the site plan so that the final plan will contain six buildings on the six acres instead of five buildings on four acres as originally proposed. The new configuration would allow all 20 of the one-bedroom units to be on the ground level. Although the development targets families, some elderly tenants are anticipated and the proposed change would benefit these elderly tenants.

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 considered significant by the board.

Owner: MV Housing, Ltd.

General Partner: Donna Housing Authority

Developers: M.V. Housing Development, LLC

Principals/Interested Parties: Donna Housing Authority; Rick Deyoe, Realtex Development Corporation; Apolonio Flores, Flores Residential, LLC

Syndicator: PNC Multifamily Capital

Construction Lender: PNC Multifamily Capital

Permanent Lender: PNC Multifamily Capital

Other Funding: Donna Housing Authority

City/County: Donna/Hidalgo

Set-Aside: General

Type of Area: Rural

Type of Development: New Construction

Population Served: General Population

Units: 76 HTC units

2005 Allocation: \$453,995

Allocation per HTC Unit: \$5,974

Prior Board Actions: 7/05 – Approved award of tax credits

Underwriting Reevaluation: Although the developer must increase its deferred fees, there is no change in the recommended amount of the award.

Staff Recommendation: **Staff recommends approving the request because the final plan appears to be at least equivalent to the original plan.**

Penalty Assessment: **Staff recommends the assessment of the penalties pursuant to 50.9(c) of the Qualified Allocation Plan and Rules (as stated at the beginning of this presentation) because the amendment request was made after the change had been implemented. The penalties should be assessed against the general partner, Donna Housing Authority, and the special limited partner, Rick Deyoe, for having developed the property inconsistent with the application.**

HTC No. 05084, Pecan Village (formerly University Place)

Summary of Request: The owner requested approval to substitute covered parking for dishwashers. The owner stated that he does not want to install dishwashers in the rehabilitated units because the already limited counter space would be further reduced. The owner proposed either to cover all 63 of the development's parking spaces, or, if the Board does not approve the requested substitution, to install the dishwashers.

Although dishwashers were not proposed in any other exhibit in the application, they were a Threshold item and, as such, were specified in the Volume 3, Tab 1, Part A, Development Certification Form.

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

Owner: FDI-University Place, LTD.

General Partner: Fieser Holdings, Inc.

Developer: Fieser Development, Inc.

Principals/Interested Parties: James Fieser

Syndicator: WNC & Associates

Construction Lender: Davis-Penn Mortgage

Permanent Lender: Davis-Penn Mortgage

Other Funding: TDHCA HOME Funds

City/County: Wharton/Wharton

Set-Aside: At-Risk

Type of Area: Rural

Type of Development: Acquisition/Rehabilitation

Population Served: Elderly Population

Units: 82 HTC units

2005 Allocation: \$186,356

Allocation per HTC Unit: \$2,273

Prior Board Actions: 7/05 – Approved award of tax credits

Underwriting Reevaluation: REA found that the proposed changes would have no affect on the feasibility of the development or on the credit amount.

Staff Recommendation: Staff recommends denying the request because the feature that was not installed was a threshold item.

Penalty Assessment: No penalty assessment is recommended under §50.9(c) of the QAP because the amendment is requested in advance of the change being finalized. The owner would have 30 days to install the dishwashers or provide the carports.

HTC No. 05198, Olive Grove Manor

Summary of Request: The owner requested approval to decrease the number of open parking spaces from 80 as originally proposed to 21. The development will continue to include 160 garage parking spaces free of additional charge to the tenants and the final parking ratio will be 1.1 spaces per unit. Other changes to the development were described by the owner as follows: the size of the clubhouse will be increased by two percent (66 square feet larger than the original 3,238 square feet); a beauty salon will be added by furnishing free space to the salon operator (Although the beauty salon will charge tenants market rates for the service, the convenience of the shop is apparently deemed to be a significant benefit to the tenants and to the marketability of the development); the front fence will be changed from wrought iron (in appearance) to cedar picket with masonry columns every 40 feet; the buildings that faced Normandy have been turned to face the interior of the site to enhance privacy; the swimming pool will be slightly larger than originally planned and will be heated; the decrease in open parking spaces will increase the green space.

While the development is nearing completion they have requested and received an extension to place in service until December 31, 2008 pursuant to Revenue Procedure 2007-54.

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

Owner: Olive Grove Manor, Ltd.

General Partner: HCHA Olive Grove Manor, LLC

Developers: Harris County Housing Authority; Artisan American Corp.

Principals/Interested Parties: Harris County Housing Authority

Syndicator: PNC Bank

Construction Lender: PNC Bank

Permanent Lender: PNC Bank

Other Funding: HOME Funds (Harris County)

City/County: Houston/Harris

Set-Aside: General

Type of Area: Urban

Type of Development: New Construction

Population Served: Elderly Population

Units: 160 HTC units

2005 Allocation: \$946,000

Allocation per HTC Unit: \$5,913

Prior Board Actions: 7/05 – Approved award of tax credits

Underwriting Reevaluation: Pending Review.

Staff Recommendation: **Staff recommends denying the request because the substitute features appear to be insufficient.**

Penalty Assessment: **Staff recommends the assessment of the penalties pursuant to 50.9(c) of the Qualified Allocation Plan and Rules (as stated at the beginning of this presentation) because the amendment request was made after the change had been implemented. The penalties should be assessed against the principal of the general partner, Harris County Housing Authority, and the principals of the special limited partners, Artisan American and Inland General Construction, for having developed the property inconsistent with the application.**

HTC No. 04167, Oxford Place

Summary of Request: The owner's counsel requested approval to change the site plan, unit plans and building plans. The development was originally proposed to contain 268,830 square feet of net rentable area (NRA) and 13,474 square feet of common area. Upon completion, the development was certified to contain 278,880 square feet of net rentable area and 12,409 square feet of common area. Thus, NRA increased by 10,050 square feet or 3.7% and common area decreased by 1,065 square feet or 7.9%. The owner's counsel explained that 1,058 square feet of the 1,065 square feet of common area eliminated resulted from combining two laundry rooms totaling 1,576 square feet into a single facility of 518 square feet. Scoring would not have been affected by these changes and because the increase in net rentable area is much greater than the decrease in common area, the eligible basis underwritten would have increased. The application proposed a unit applicable fraction of 80%. Although the applicable fraction based on the current distribution of units between market rate units and restricted units would be 80%, the applicable fraction based on floor (rentable) area is only 78%. The lower of the unit fraction or floor area fraction is the fraction required to be used in calculating the usable tax credits. Therefore, this lower usable applicable fraction might jeopardize the ability of the owner to claim all of the tax credits that were awarded. To achieve an applicable fraction of 80%, counsel requested that the Board approve the conversion of three market rate units into tax credit units. One one-bedroom unit and two two-bedroom units would be converted. Therefore, the final unit count would be 203 tax credit units and 47 market rate units. The unit applicable fraction would increase to 81.2% and the floor area fraction would be 80%. Although the application originally would have scored two points for the higher (81% versus 80%) unit applicable fraction, it does not appear that the award would have been affected by the change. Self-cleaning ovens were chosen for one point in the application but have only been provided in four units. Owner's counsel named several substitutes for the amenity and the points, including Energy Star appliances in all units which were worth two points.

The owner's counsel requested that the Board waive any penalty that might otherwise be applied. Owner's counsel indicated the changes were positive and were made necessary by the requirement of the City of Houston.

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 modification considered significant by the board.
Owner:	Oxford Community, L.P.
General Partner:	Oxford Community GP, LLC
Developers:	APV Redevelopment Corporation
Principals/Interested Parties:	Houston Housing Authority
Syndicator:	MMA Financial
Construction Lender:	Victory Street Public Facility Corporation (HACH)
Permanent Lender:	Victory Street Public Facility Corporation (HACH)
Other Funding:	Capital Grant Funds
City/County:	Houston/Harris
Set-Aside:	General Population
Type of Area:	Urban
Type of Development:	New Construction (after demolition of 230 units)
Population Served:	General Population
Units:	200 HTC units and 50 market rate units (original award of 7/28/04) 215 HTC units and 35 market rate units (per amendment of 12/4/06)
2004 Allocation:	\$1,302,517 including \$1,187,924 from 2004 credit ceiling and \$114,593 supplemental from 2007 credit ceiling

Allocation per HTC Unit: \$6,513 per application of 3/1/04
\$6,058 per amendment of 12/4/06

Prior Board Actions: 7/04 – Approved award of tax credits including supplemental award

Underwriting Reevaluation: Review pending

Staff Recommendation: **Staff recommends approving the request because the final development appears to be equivalent to the original plan and three additional affordable units have been added to the property.**

Penalty Assessment: **A penalty assessment is recommended under §50.9(c) of the 2008 QAP because the amendment is requested subsequent to the owner's implementation of the changes being instituted.**

HTC No. 04157, Samaritan House

Summary of Request: The owner requested approval to forego the inclusion of the threshold amenities and other amenities that were represented in scoring and/or in the Specifications and Amenities exhibits for the Single Room Occupancy (SRO) units. The amenities that would not be included in the single-room occupancy units but that would be included in the conventional units include washer and dryer connections, dishwasher, garbage disposal, fan and hood, range/oven, refrigerator with ice-maker, laminated countertops, tile tub/shower, 12 SEER HVAC, ceiling fans in the living room and bedrooms, nine foot ceilings, and storage room or storage closet. The owner stated that these amenities were never contemplated for the SRO units that were the rehabilitation portion of the development; they were only intended to be proposed for the newly construction portion of the development containing one, two and three bedroom units. Staff confirmed that the property condition assessment did not include these amenities in the SRO units and they were, therefore, not included in calculating the amount of the award of tax credits. The owner did not propose substitute features for purposes of this amendment request.

Other amenities that were cited as proposed but not provided included a gazebo with sitting area worth one point, for which the owner substituted a covered deck with sitting area that was not a scoring item in the common amenities, and a fitness center worth two points, for which the owner substituted a playground which was not worth any points even though two playgrounds would have been worth two points.

With respect to the SRO units, the application represented both eight foot and nine foot ceilings on the Specifications and Amenities exhibit. Similarly, in the same exhibit, the application the application represented that both tile tubs/showers and fiberglass tubs/showers would be present. The SRO units have showers but no countertops because they have freestanding sinks and this was apparent in the plans presented in the application. The SRO units do not have kitchens and this was also apparent in the plans presented in the application.

The application would have failed Threshold in 2004 because some of the required Threshold items were not present in all units and because the Threshold score after deducting points lost as cited above would have been three points below the required score to pass.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification considered significant by the board.
Owner:	Hemphill Samaritan, LP
General Partner:	Hemphill Samaritan, LLC
Developers:	Hemphill Samaritan Developers, LLC
Principals/Interested Parties:	Tarrant County Samaritan Housing, Inc. (NP owner of GP); Ellen Rourke (owner of special limited partner); Thomas H. Scott (member of owner of developer);
Syndicator:	Alliant Capital, Ltd.
Construction Lender:	Regions Bank
Permanent Lender:	Washington Mutual Bank
Other Funding:	AHP, Tax Increment Financing
City/County:	Fort Worth/Tarrant County
Set-Aside:	Nonprofit
Type of Area:	Urban
Type of Development:	Rehabilitation and New Construction
Population Served:	General Population
Units:	126 HTC units
2004 Allocation:	\$818,328 from 2004 credit ceiling and \$59,531 from 2007 credit ceiling

Allocation per HTC Unit: \$6,967

Prior Board Actions: July, 2004 - Approved award of tax credits

Underwriting Reevaluation: Review pending

Staff Recommendation: **Staff recommends denying the request because the application did not meet the Threshold requirements of the 2004 QAP.**

Penalty Assessment: **Staff recommends the assessment of appropriate penalties pursuant to 50.9(c) of the 2008 Qualified Allocation Plan and Rules (as stated at the beginning of this presentation) because the amendment request was made after the changes had been implemented. The penalties should be assessed against the general partner and any special limited partners, as applicable, for having developed the property inconsistently with the application.**

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

00032T

DATE: December 4, 2007 **PROGRAM:** LIHTC **FILE NUMBER:** 00032T

DEVELOPMENT NAME

Victory Apartments

APPLICANT

Name: 100 Victory L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 2640 Fountainview, Suite 400 **City:** Houston **State:** TX
Zip: 77057 **Contact:** Horace Allison **Phone:** (713) 260-0767 **Fax:** (713) 260-0815

PRINCIPALS of the APPLICANT

Name: Victory Redevelopment Corporation (%) .01 **Title:** Managing General Partner
Name: The Enterprise Social Investment Corporation (%) 99.99 **Title:** Limited Partner
Name: Housing Authority of the City of Houston (%) n/a **Title:** Initial Limited Partner
Name: Ernie Etuk (%) n/a **Title:** Principal of initial L.P. and G.P.

GENERAL PARTNER

Name: Victory Redevelopment Corporation **Type:** For Profit Non-Profit Municipal Other
Address: 2640 Fountainview, Suite 400 **City:** Houston **State:** TX
Zip: 77057 **Contact:** Horace Allison **Phone:** (713) 260-0767 **Fax:** (713) 260-0815

PROPERTY LOCATION

Location: 1520 Bailey QCT DDA
City: Houston **County:** Harris **Zip:** 77019

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$356,004	n/a	n/a	n/a

Other Requested Terms: Annual 10-year allocation of tax credits awarded in 2000

Proposed Use of Funds: New construction **Set-Aside:** General Rural Non-Profit

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$349,708 ANNUALLY FOR TEN YEARS.

ADDENDUM

Victory Apartments was originally underwritten during the 2000 4% HTC cycle and subsequently received a commitment for 2000 annual tax credits in the amount of \$356,004 based on a more restrictive than typical rent rate pattern. The Development's loans are being funded with HOME and HOPE VI proceeds through the City of Houston which provided a non-conventional rate and term. Based upon the Applicant's proposal at application, the Department originally restricted this development to maintain target rent set-aside levels and restrict a third of each type of unit to have levels affordable to households with incomes from 0% to 15% of AMGI, a third at 16% to 30% of AMGI and a third at 31% to 40% of AMGI. The Department's tax credit award was contingent upon an agreement or restrictive covenant to restrict the units at these levels. During the course of the review of the development's final cost certification it was revealed that the Owner's documentation did not reflect the rental rate structure approved by the Board. Further, at the time of the cost certification review the development did not have a Land Use Restriction Agreement (LURA) in place to reflect these restrictions. The Owner is currently requesting approval for a change in the rental rate structure of the development. The proposed structure consists of 37 units at 30%, 37 units at 40% and 26 units at 50%.

The Owner's rent schedule at cost certification reflects the set-asides proposed and results in a potential gross rent estimate that is consistent with the Underwriter's estimate using proposed revised maximum HTC rents. The Owner's current rent schedule includes \$138K operating subsidy which the development receives from the Houston Housing Authority as well as \$238K that is classified as public housing rental rate charged to tenants. As a result of the subsidy, concession and a lower estimate of secondary income, the Owner's effective gross income estimate is \$115K or 21% lower than the Underwriter's estimate. The Owner's operating expense estimate at cost certification is 58K or 162% higher than the Underwriter's current estimate. The Owner provided actual operating statements for the development for 2005 and 2006 and the Underwriter utilized this information to compare to the Owner's estimated expenses for specific line items. Specific line items with significant variances from the Underwriter's estimates include: general and administrative (\$27K or 51% lower), payroll (\$88K or 90% higher), repairs and maintenance (\$20K or 44% higher) and property insurance (\$9K or 21% lower). The Underwriter weighed the 2005 and 2006 actual operating expenses for this property most heavily to project specific expense line items except for repairs and maintenance, which has averaged well over \$1,000 per unit per year for the past two years.

The Owner's income and expense estimates provide a Debt Coverage Ratio (DCR) of 1.01, based upon a minimal debt payment. This DCR is lower than current underwriting guidelines but above breakeven which is the maximum allowed for public housing. The Underwriter's estimates afford the development a higher 1.19 DCR, which falls within current underwriting guidelines. It should be noted that the Underwriter's estimate of debt service is based upon the related party favorable financing of the permanent first lien mortgage amount which is currently amortized over 45 years at an interest rate of 0.5% (this is the debt service the Underwriter has used). The note further indicates, however, that payments of interest only will be due for the first sixteen and a half years (through June 2018) and thereafter monthly payments of principal and interest in an amount calculated to amortize the full amount of the loan over the remainder of the term of the loan will be due if sufficient cash flow is available. Thus the actual interest only payment requirement for the first sixteen and a half years is \$31,515 per year. The Owner inexplicably reflects annual debt service of \$12,000 for the first lien mortgage amount in the cost certification documentation. (It should be noted that as a Public Housing Project, Victory Apartments receives a subsidy of an unspecified amount from the Housing Authority to be used to pay for operating expenses not covered by income.)

In order to size the credit amount, the Underwriter has to assure that the gap of need in the sources of funds is equal or more than the tax credit syndication proceeds if the debt was funded conventionally. With a DCR already in the acceptable range of 1.15 to 1.30 the gap of funds needed would only grow if the development were conventionally financed at a 7% interest rate. Thus the gap method in this instance will not be the most conservative credit recommendation.

The Owner's actual and certified total development cost budget is \$93K or 1% higher than that originally estimated at application and \$369K or 4% higher than the Underwriter's estimate in 2000. At cost certification, the Owner's total construction costs are still within 5% of the Underwriter's estimated construction costs at application, therefore, the Owner's costs are considered reasonable and have been

certified by a third party CPA. As a result the Owner's actual costs are used to determine the project's funding needs and eligible basis of \$7,977,879, which supports an annual tax credit allocation of \$379,587. The Owner has requested this amount at cost certification, which is higher than the amount awarded in 2000. The originally allocated amount of \$356,004 is recommended resulting in proceeds of \$3,096,925 based on a syndication rate of 87%. The amount of soft funding appears to be overstated by \$54,770 which could be a result of undocumented development costs that actually exist but have not been included by the owner in this developer budget, or will result in an excess in self funding that should be reduced by the owner. There is no risk of true excess funding in this case since the owner, the Housing Authority is funding itself at a significantly below market rate.

As indicated above the Owner's total actual development costs were used to determine the development's eligible basis and resulting tax credit allocation. The Underwriter's proforma estimate, based on the set-asides proposed of 30%, 40% and 50% of AMGI tax credit rents and related party favorable financing of the permanent loan amounts, would suggest that the actual debt amount is reasonable and provides a debt coverage ratio that is within the Department's guidelines. Since the subsidy provided, restricts the rents and net operating income to an amount that allows the development only to break even, the increase in income levels served does not directly impact the developments financial feasibility. Rather the change only impacts the level of households that must be served and the amount of pledged ongoing operating subsidy that must be provided through the Housing Authority. Should this operating subsidy fail to be available at some time in the future, the proposed restrictions would restrict the property to a level that is currently considered to be viable (with the debt as fully amortized). This is compared to the originally underwritten (lower rent level) scenario which, as now projected, would require some ongoing amount of operating subsidy in order to breakeven without any debt service. As a result of this analysis, the Owner's proposed rental rate structure is recommended.

Underwriter:

Raquel Morales

Date: December 4, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: December 4, 2007

COST CERTIFICATION Comparative Analysis

Victory Apts, Houston, HTC#00032T
 Reviewed by: BMH
 Date: 4/1/05

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Yrly Rent	Rent per Month	CC (Net Rent)	Rent per SF	Tot Pd Utl	Wtr, Swr, Trash
TC30%	6	1	1	692	\$343	\$298		\$1,788	\$298	\$0.43	\$45.00	\$45.19
TC30%	5	1	1	699	343	\$298		1,490	\$298	0.43	45.00	45.19
TC40%	1	1	1	699	457	\$412		412	\$412	0.59	45.00	45.19
TC40%	1	1	1	778	457	\$412		412	\$412	0.53	45.00	45.19
TC50%	5	1	1	778	571	\$526		2,630	\$526	0.68	45.00	45.19
TC30%	6	2	2	961	411	\$360		2,160	\$360	0.37	51.00	51.56
TC30%	12	2	1.5	967	411	\$360		4,320	\$360	0.37	51.00	51.56
TC40%	23	2	1.5	967	549	\$468		11,454	\$468	0.51	51.00	51.56
TC50%	7	2	2	968	686	\$635		4,445	\$635	0.66	51.00	51.56
TC50%	2	2	2	1,018	686	\$635		1,270	\$635	0.62	51.00	51.56
TC50%	2	2	2	1,066	686	\$635		1,270	\$635	0.60	51.00	51.56
TC30%	1	3	2	1,184	475	\$419		419	\$419	0.35	56.00	66.30
TC30%	7	3	2	1,304	475	\$419		2,933	\$419	0.32	56.00	66.30
TC40%	12	3	2.5	1,304	634	\$578		6,936	\$578	0.44	66.00	66.30
TC50%	9	3	2	1,304	793	\$737		6,633	\$737	0.57	66.00	66.30
TC50%	1	3	2	1,314	793	\$737		737	\$737	0.56	66.00	66.30
TOTAL:	100		AVERAGE:	1,026	\$545	\$493		\$49,309		\$0.48	\$51.42	\$54.84

INCOME Total Net Rentable Sq Ft: **102,579**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: **\$10.00**

Other Support Income: operating subsidy from HHA

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: **-7.50%**

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$591,708	\$364,486	\$363,708	\$591,708
12,000	12,000	9,660	6,840
	0	0	138,000
\$603,708	\$376,486	\$373,368	\$736,548
(45,278)	(28,236)	(27,960)	(55,236)
	0	0	(238,296)
\$558,430	\$348,250	\$345,408	\$443,016

\$5.70 Per Unit Per Month

\$115.00 Per Unit Per Month

-7.50% of Potential Gross Income

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	0.47%	\$529	\$0.52
Management	4.00%	223	0.22
Payroll & Payroll Tax	17.54%	980	0.96
Repairs & Maintenance	8.29%	463	0.45
Utilities	7.54%	421	0.41
Water, Sewer, & Trash	5.52%	308	0.30
Property Insurance	8.12%	453	0.44
Property Tax	0.00%	0	0.00
Reserve for Replacements	4.48%	250	0.24
Other Expenses: Compliance and Security	1.79%	100	0.10
TOTAL EXPENSES	66.75%	\$3,728	\$3.63

NET OPERATING INC **33.25%** **\$1,057** **\$1.81**

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$52,883	\$31,792	\$29,800	\$25,665
22,337	31,861	17,300	21,600
97,967	78,221	130,000	185,900
46,270	46,270	42,600	68,500
42,093	19,753	24,000	22,750
30,838	30,986	38,300	43,500
45,343	17,167	18,000	36,000
0	12,500	12,500	0
25,000	20,000	20,000	25,000
10,022	12,600	12,500	4,000
\$372,754	\$301,150	\$345,000	\$430,915
\$185,676	\$47,100	\$408	\$12,101

PER SQ FT PER UNIT % OF EGI

\$0.25 \$257 5.79%

0.21 218 4.88%

1.81 1,859 41.96%

0.85 885 15.01%

0.22 228 5.14%

0.42 435 9.82%

0.35 360 8.13%

0.00 0 0.00%

0.24 250 5.64%

0.04 40 0.90%

\$4.20 \$4,309 97.27%

\$0.12 \$121 2.73%

DEBT SERVICE

HOME Loan-interest only for 1st 16 1/2 yrs **22.22%** **\$1,241** **\$1.21**

HOPE VI Loan **5.79%** **\$323** **\$0.32**

Additional Financing **0.00%** **\$0** **\$0.00**

NET CASH FLOW **5.23%** **\$292** **\$0.28**

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$124,103	\$5,774	\$5,774	\$12,000
32,343	25,000		
0			
\$29,231	\$16,326	(\$5,366)	\$101

\$0.12 \$120 2.71%

\$0.00 \$0 0.00%

\$0.00 \$0 0.00%

\$0.00 \$1 0.02%

AGGREGATE DEBT COVERAGE RATIO **1.19**

ALTERNATIVE DEBT COVERAGE RATIO **1.01**

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$588,653	\$857,062	\$857,062	\$588,653
0	0	0	0
780,290	592,330	592,330	780,290
4,898,280	4,373,406	4,602,125	4,898,280
	248,287	259,723	
338,000	260,000	260,000	338,000
112,500	53,579	53,579	112,500
337,500	260,000	260,000	337,500
355,940	399,048	399,048	355,940
328,798	501,166	501,166	328,798
0	124,653	0	0
895,295	810,243	970,919	895,295
260,074	45,986	45,986	260,074
450,000	450,000	450,000	450,000
\$9,345,230	\$8,975,759	\$9,251,938	\$9,345,230
\$0			
\$9,345,230	\$8,975,759	\$9,251,938	\$9,345,230

\$0.12 \$120 2.71%

\$0.00 0 0.00%

\$0.00 0 0.00%

\$0.00 0 0.00%

\$0.00 0 0.00%

0.00 0 0.00%

0.73 8,953 9.58%

2.54 2,601 2.78%

4.39 4,500 4.82%

\$91.10 \$93,452 100.00%

\$0.00 \$0 0.00%

\$91.10 \$93,452 100.00%

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		6.30%	\$5,686	\$5.74
Off-Sites		0.00%	0	0.00
Sitework		8.35%	7,803	7.61
Direct Construction		52.41%	48,983	47.75
Contingency				
General Req's	5.95%	3.62%	3,380	3.30
Contractor's G & A	1.98%	1.20%	1,125	1.10
Contractor's Profit	5.94%	3.61%	3,375	3.29
Indirect Construction		3.81%	3,559	3.47
Ineligible Costs		3.52%	3,288	3.21
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	12.64%	9.58%	8,953	8.73
Interim Financing		2.78%	2,601	2.54
Reserves		4.82%	4,500	4.39
TOTAL RESIDENTIAL COST	100.00%	\$93,452	\$91.10	
COMMERCIAL SPACE COST	0.00%	\$0	\$0.00	
TOTAL DEVELOPMENT COST	100.00%	\$93,452	\$91.10	

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$588,653	\$857,062	\$857,062	\$588,653
0	0	0	0
780,290	592,330	592,330	780,290
4,898,280	4,373,406	4,602,125	4,898,280
	248,287	259,723	
338,000	260,000	260,000	338,000
112,500	53,579	53,579	112,500
337,500	260,000	260,000	337,500
355,940	399,048	399,048	355,940
328,798	501,166	501,166	328,798
0	124,653	0	0
895,295	810,243	970,919	895,295
260,074	45,986	45,986	260,074
450,000	450,000	450,000	450,000
\$9,345,230	\$8,975,759	\$9,251,938	\$9,345,230
\$0			
\$9,345,230	\$8,975,759	\$9,251,938	\$9,345,230

PER SQ FT PER UNIT % of TOTAL

\$5.74 \$5,686 6.30%

0.00 0 0.00%

7.61 7,803 8.35%

47.75 48,983 52.41%

0.00 0 0.00%

3.30 3,380 3.62%

1.10 1,125 1.20%

3.29 3,375 3.61%

3.47 3,559 3.81%

3.21 3,288 3.52%

0.00 0 0.00%

8.73 8,953 9.58%

2.54 2,601 2.78%

4.39 4,500 4.82%

\$91.10 \$93,452 100.00%

\$0.00 \$0 0.00%

\$91.10 \$93,452 100.00%

SOURCES OF FUNDS

HOME Loan-interest only for 1st 16 1/2 yrs **53.50%** **\$50,000** **\$48.74**

HOPE VI Loan **13.94%** **\$13,031** **\$12.70**

LIHTC Net Syndication Proceeds **33.14%** **\$30,969** **\$30.19**

Deferred Developer Fees **0.00%** **\$0** **\$0.00**

Additional (excess) Funds Req'd **-0.59%** **(\$548)** **(\$0.53)**

TOTAL SOURCES

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$5,000,000	\$1,154,703	\$1,154,703	\$5,000,000
1,303,075	5,000,000	5,000,000	1,303,075
3,096,925	3,160,162	3,160,162	3,096,925
0	0	0	
(54,770)	(339,106)	(62,927)	(54,770)
\$9,345,230	\$8,975,759	\$9,251,938	\$9,345,230

SOURCE ANALYSIS

\$5,000,000

1,248,305

3,096,925

0

\$9,345,230

COST CERTIFICATION: Comparative Analysis
Victory Apts, Houston, HTC#00032T

PAYMENT COMPUTATION

Primary	\$5,000,000	Amort	540
Int Rate	0.50%	DCR	1.50

Secondary	\$1,303,075	Amort	540
Int Rate	0.50%	Subtotal DCR	1.19

Additional		Amort	
Int Rate		Aggregate DCR	1.19

RECOMMENDED FINANCING STRUCTURE

\$124,103
32,343
0
\$29,231

Primary	\$5,000,000	Amort	540
Int Rate	0.50%	DCR	1.50

Secondary	\$1,303,075	Amort	540
Int Rate	0.50%	Subtotal DCR	1.19

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.19

30-YEAR PROFORMA

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	\$591,708	\$609,459	\$627,743	\$646,575	\$665,973	\$772,045	\$895,011	\$1,037,564	\$1,394,399
Secondary Income	12,000	12,360	12,731	13,113	13,508	15,657	18,151	21,042	28,279
Other Support Income: operating sub	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	603,708	621,819	640,474	659,688	679,479	787,702	913,163	1,058,606	1,422,677
Vacancy & Collection Loss	(45,278)	(46,636)	(48,036)	(49,477)	(50,961)	(59,078)	(68,487)	(79,395)	(106,701)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$558,430	\$575,183	\$592,438	\$610,211	\$628,518	\$728,624	\$844,675	\$979,210	\$1,315,977
EXPENSES at 4.00%									
General & Administrative	\$52,883	\$54,998	\$57,198	\$59,486	\$61,866	\$75,269	\$91,576	\$111,417	\$164,824
Management	22,337	23,007	23,698	24,408	25,141	29,145	33,787	39,188	52,639
Payroll & Payroll Tax	97,967	101,886	105,961	110,199	114,807	139,437	169,647	206,401	305,525
Repairs & Maintenance	46,270	48,121	50,046	52,047	54,129	65,857	80,125	97,484	144,300
Utilities	42,093	43,777	45,528	47,349	49,243	59,912	72,892	88,684	131,274
Water, Sewer & Trash	30,838	32,072	33,355	34,689	36,077	43,893	53,402	64,972	96,174
Insurance	45,343	47,157	49,043	51,005	53,045	64,537	78,519	95,531	141,409
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	25,000	26,000	27,040	28,122	29,246	35,583	43,292	52,671	77,966
Other	10,022	10,423	10,840	11,273	11,724	14,264	17,355	21,115	31,255
TOTAL EXPENSES	\$372,754	\$387,440	\$402,708	\$418,579	\$435,078	\$527,897	\$640,595	\$777,443	\$1,146,466
NET OPERATING INCOME	\$185,676	\$187,742	\$189,730	\$191,632	\$193,439	\$200,727	\$204,080	\$201,767	\$170,511
DEBT SERVICE									
First Lien Financing	\$124,103	\$124,103	\$124,103	\$124,103	\$124,103	\$124,103	\$124,103	\$124,103	\$124,103
Second Lien	32,343	32,343	32,343	32,343	32,343	32,343	32,343	32,343	32,343
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$29,231	\$31,297	\$33,285	\$35,187	\$36,994	\$44,282	\$47,635	\$45,322	\$14,065
DEBT COVERAGE RATIO	1.19	1.20	1.21	1.22	1.24	1.28	1.30	1.29	1.09
Cumulative Cash Flow	29,231	60,528	93,812	128,999	165,993	309,183	598,975	831,366	1,128,301



04118

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Raquel Morales, Real Estate Analysis
cc: File
Date: October 16, 2007
Re: Amendment Request for Churchill at Commerce, #04118

I have reviewed the Owner's revised amendment request for the above reference property and in particular reviewed the material effects of the following changes to the development: decrease in the total square footage of the common area, the deletion of one non-residential building and a decrease in the number of residential buildings.

The common area square footage decreased by 11% from 3,208 square feet as proposed and underwritten to 2,834 square feet as built. Along the same efforts to eliminate unused and awkward space in the original design and make the development more energy efficient, the 336 square foot proposed mail and laundry building was also eliminated. The mail and laundry function has been included within the 2,834 square foot community building as built. The number of residential buildings increased from seven proposed and underwritten to nine residential buildings. According to the owner a change in the design of some of the buildings was made in order to provide diversity and variety in the horizontal lines of the buildings. It should be noted that subsequent to the submission of the Cost Certification for the development, the owner has proposed to build an additional 443 square foot community building at an estimated cost of \$30,000 in order to resolve the issue with a reduction in the common area square footage. In the alternative, the owner also proposed that should TDHCA staff determine that the additional community building not be necessary, a donation to the TDHCA's Housing Trust Fund of \$30,000 in lieu of constructing the additional community building be considered. This memorandum only addresses those changes that have already been identified to the development and its impact on the feasibility of the transaction.

As part of the Cost Certification review process, the owner's final total development costs were re-evaluated by the Underwriter using current Marshall & Swift Residential Cost Handbook data and resulted in a difference of less than 5%. In addition the owner's final costs were certified to by a third party CPA as required by the current Cost Certification Procedures Manual. Therefore, the changes made to the development do not appear to have a negative impact on the financial feasibility of this development. No change to the credit amount is recommended prior to final review of the cost certification.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

DATE: December 12, 2007 **PROGRAM:** 9% HTC **FILE NUMBER:** 04191

DEVELOPMENT NAME

Providence at Boca Chica Apartments

OWNER

Name:	Longbranch, L.P.	Type:	For-profit
Address:	975 One Lincoln Center, 5400 LBJ Freeway	City:	Dallas
State:	TX	Phone:	(972) 239-8500
Zip:	75240	Contact:	Saleem Jafar
Fax:	(972) 239-8373		

PRINCIPALS of the OWNER/ KEY PARTICIPANTS

Name:	Texas Tropical Gardens at Boca Chica GP, LLC	(%):	0.01	Title:	Managing General Partner
Name:	Brownsville Housing Management Corporation (BHMC)	(%):	N/A	Title:	100% Owner of G.P.
Name:	Housing Authority of Brownsville	(%):	N/A	Title:	100% Owner BHMC/ Co-Developer
Name:	Odyssey Residential Holdings, LP.	(%):	N/A	Title:	Developer
Name:	1029 Family LP	(%):	N/A	Title:	100% Owner of Developer
Name:	Saleem Jafar	(%):	N/A	Title:	Managing Member of 1029 Family LP

PROPERTY LOCATION

Location: NE quadrant of intersection of McDavitt Street & Oak Street **QCT** **DDA**
City: Brownsville **County:** Cameron **Zip:** 78521

REQUEST

<u>Allocation Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Term</u>
2004	\$1,010,465	N/A	N/A
2007*	\$72,261	N/A	N/A
Comments:	* 2007 allocation pursuant to Board's 14% cost increase policy.		
Proposed Use of Funds:	New construction	Property Type:	Multifamily
Special Purposes:	General population, at-risk, nonprofit		

RECOMMENDATION

RECOMMEND APPROVAL OF A 2004 HTC ALLOCATION NOT TO EXCEED \$1,010,465 AND A 2007 ALLOCATION NOT TO EXCEED \$72,031 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance, prior to release of 8609s, of confirmation from the Appraisal District of the claimed property tax exemption
2. Receipt, review, and acceptance, prior to release of 8609s, of the original valid and recorded LURA

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- and a title policy reflecting said LURA.
3. Receipt, review, and acceptance, prior to issuance of 8609s, of all other documentation required by the Cost Certification Procedures Manual and documentation that all conditions of the original underwriting report have been satisfied.

ADDENDUM

The Owner submitted a request for an amendment to the application for the subject development on November 29, 2007. The amendment was submitted to address inconsistencies between the Owner's cost certification and the original commitments made by the Owner. The amendment requests approval of the following changes:

- Replacement of 1 one-bedroom unit with 1 more two-bedroom unit as constructed;
- A change in the siteplan to incorporate an existing roadway that was originally proposed to be demolished;
- Substitution of several amenities originally proposed but not provided. One substitution amenity, full perimeter fencing has not yet been provided, and the Owner has requested approval of this substitution amenity as long as the City approves the plan and the construction is prepaid by 12/31/07.

The substitution of amenities has been addressed by Multifamily staff and a detailed write-up has been included in the Board Book. This addendum has been completed in order to evaluate the potential affect of the changes reflected above and in order to complete the cost certification process for the subject development.

As part of the cost certification package the Owner has provided the as completed development cost schedule, rent schedule and other documentation that has been incorporated into this evaluation. While the Owner submitted the cost certification package on August 7, 2007, the Owner has been slow to provide the information required to complete this evaluation and bring the subject amendment before the Board. The following items remain outstanding:

1. Support for \$200K broker's fee that is not otherwise recognized;
2. Confirmation of the tax exemption claimed from the Appraisal District (the property is listed as having no such tax exemption);
3. Final recorded LURA with TDHCA signatures (The Owner filed an unsigned LURA originally);
4. A title policy with the correct LURA reflected.

These items must be provided in order to complete cost certification and to release the 8609s. In addition to the original 2004 allocation the Owner has signed a binding allocation agreement to receive a \$72,261 2007 allocation in accordance with the TDHCA Board's 14% cost increase policy. The 8609s for the 2007 credits must be released by the end of this year or the credits are invalid.

OPERATING PROFORMA ANALYSIS

Income: The Owner's estimated income is based on the maximum gross rent limits less utility allowances for the non-Public Housing units (PHUs) and based on the estimated tenant paid rent plus PHU subsidy for the PHUs. The Owner has provided an Annual Contributions Contract for the 58 Public Housing Units. Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy for the 58 PHUs will be equal to the PHUs prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units. The resulting rent for the PHUs is equal to \$252 per month, which may increase or decrease based upon fluctuations in the actual operating expenses.

It appears that the Owner has overstated rental income for the PHUs based on the Owner's estimated expenses. If HUD provides more funds than it costs to operate the PHUs, HUD will reconcile and recover the excess funds annually to ensure that the subsidy is consistent with actual operations.

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Expenses: The Owner's total expense estimate of \$3,175 per unit is not within 5% of the Underwriter's estimate of \$3,018 per unit. The Owner's estimate of payroll and payroll tax is \$31K higher than the Underwriter's estimate. However, the Underwriter's estimate is based on the annualized payroll costs reflected in a YTD financial statement provided by the Owner. Moreover, housing authorities can often achieve economies of scale with personnel costs, particularly maintenance staff.

The Underwriter has assumed a 100% property tax exemption as reflected in the Owner's proforma. However, the Owner has not been able to provide a letter from the Appraisal District confirming the exemption and the current tax assessment reflects no such exemption. The Owner has provided an attorney's opinion; however, the Appraisal District should be able to confirm an exemption particularly since the buildings placed in service in 2006. If an exemption is not secured, the development's debt capacity would decrease significantly. Receipt, review, and acceptance, prior to release of 8609s, of confirmation from the Appraisal District of the claimed property tax exemption is a condition of this report.

Conclusion: The Owner's total expense estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Underwriter's proforma yields a DCR within the Department's guideline, assuming that the property is able to secure a 100% property tax exemption. If the exemption is not secured, based on the Underwriter's analysis, the DCR would fall to 0.95 and the property would not be able to cover the development's debt service.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 12.5 acres	\$750,000	Date of Valuation:	2/3/2004
Appraiser: Butler Burgher, Inc.	City: Dallas	Phone:	(214) 739-0700

APPRAISED ANALYSIS

Analysis: The Appraiser used four comparable land sales dating back to September 1999 to derive an estimated "as if vacant" market land value of \$4,750/unit or \$750,000. Three of the sales were associated with HTC multifamily developments. The appraisal included the following: "This appraisal does not address the value of the improvements to the subject site. The developer plans to raze all existing improvements...Therefore, the value opinion concluded herein is hypothecated on any improvements situated on the property having no contributory value." (p. 31)

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Owner has indicated a transfer price of \$1,060,000 on the identity of interest transfer of the site. This includes \$800,000 for the ground lease, a \$60,000 broker's fee to the developer (Odyssey), and a \$200,000 fee to a previous broker. The Owner indicated that the previous broker had an agreement with the Housing Authority that was still in effect as of the date of the sale and that the Housing Authority had to pay a \$200K fee despite this broker's lack of involvement in the subject transaction. The Owner has provided support for only \$150,000 of the \$200,000 fee despite several requests for verification. The Owner stated, "Consider any difference against the developer fee at this point" (by email 12/12/2007). The Underwriter has adjusted the acquisition cost by \$50K to account for the portion unaccounted for. Moreover, the \$60K broker's fee paid to the developer has been shifted to the developer fee line item as is standard; however, this should have no affect on the development's eligible basis or financing gap.

The Underwriter has used a substantially lower transfer price of \$594,970 in accordance with the original underwriting and the Department's guidelines for identity of interest transactions. This is equal to the appraised land value of \$750,000 plus the \$150K verified claim less actual demolition costs of \$305,030 (the \$60K broker fee to the developer was shifted to developer fee). The Department's guidelines do not allow the transfer price for identity of interest transactions to exceed the lesser of the appraised value or the original price plus verifiable holding costs. In the subject transaction, the demolition cost were deducted from the "as vacant" appraised land value because the previous structures had no contributory value. This has also been confirmed by the appraiser. The contributory value must be the "as vacant" appraised value less the cost to

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return the land to an “as vacant” state. This ensures that the tax credit proceeds do not go to fund the demolition of existing structures should the gap in funding method be used to determine the HTC allocation. If the Owner’s costs are used in the final evaluation and determination of the HTC allocation, the Owner’s total cost will be adjusted by the difference between the Underwriter’s and Owner’s acquisition costs in order to ensure that tax credit proceeds are not used to fund the excess value on the identity of interest transfer.

Demolition Costs: The Owner included demolition costs of \$305,050, which corresponds to the Contractor’s Final Application for Payment and is certified by the CPA.

Sitework Cost: The Owner’s claimed eligible sitework costs of \$9,536 per unit are 59% higher than originally contemplated at application. The reason for this substantial increase is unclear and the Owner’s explanation for cost increases is increases in commodity prices, labor costs associated with importing labor, and material delivery costs. Still, the revised siteplan is significantly more consistent with the original paving and drive areas and it is unclear why the cost increase is so substantial.

Direct Construction Cost: The Owner’s direct construction cost estimate of \$49K per unit is 29% higher than the Owner’s original cost estimate. The Underwriter has re-cost the development using Marshall and Swift’s Residential Cost Handbook and determined a cost of \$42.5K per unit (16% lower) based on today’s costs. In addition, the Underwriter has included a 5% contingency as would be typical when originally underwritten. The Owner’s estimate of total hard construction costs is within 3% of the Underwriter’s estimate when incorporating 5% contingency.

Fees: As discussed above, the Underwriter has reallocated the broker’s fee paid to Odyssey to the developer fee line item. This causes the developer fee to exceed the 15% maximum by \$41,795. This amount has been effectively shifted to ineligible costs.

Conclusion: The Owner’s total development cost estimate is within 5% of the Underwriter’s verifiable estimate and is therefore generally acceptable. Therefore, the Owner’s costs, adjusted for the overstated acquisition, are used to determine the development’s eligible basis. An eligible basis of \$12,075,722 yields a tax credit allocation of \$1,213,532. This amount will be compared to the gap in funding derived HTC amount and the Owner’s request to determine the recommended allocation.

FINANCING STRUCTURE

Permanent Financing: The Owner has provided an updated permanent loan commitment, dated December 10, 2007, from SunAmerica Affordable Housing. The commitment reflects a permanent loan of \$3,125,000 with a 30 year amortization at an interest rate of 6.25%. The Owner previously indicated that they expected to close on the SunAmerica mortgage on December 11, 2007. However, no additional information has been provided and it is unclear if the loan has closed as of the date of this report.

HTC Syndication: The syndication agreement is inconsistent as it reflects a price of \$0.98 per credit whereas the syndication proceeds divided by the anticipated credits amount to a slightly higher \$0.99 per credit requested. This underwriting analysis assumed the syndicator rate described in the agreement but clarification on this item is still being sought.

Brownsville Housing Authority Loan: The Brownsville Housing Authority has provided a \$700,000 loan to the partnership. The promissory note provided indicates that the loan will carry an interest rate equal of 4.79% (AFR) and a term of 30 years. The interest and principal will accrue and be payable at the end of the term November 30, 2005.

Deferred Developer’s Fees: The Owner’s sources and uses of funds indicates deferred developer fees of \$186,135. However, this leaves a remaining gap of \$75,000 that would likely be filled with additional deferred fee.

Financing Conclusions: The Owner’s total development costs are within 5% of the Underwriter’s; therefore, the Owner’s development costs, as adjusted by the Underwriter for the overstated land transfer, are used to determine eligible basis and the gap in financing.

The total adjusted development cost less the permanent loan of \$3,125,000 and Brownsville Housing

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Authority Loan of \$700,000 results in a gap in financing of \$10,608,463. An annual tax credit allocation of \$1,082,496 would be required to fill this gap. Of the four possible tax credit allocations, Owner's cost certification request (\$1,082,726), the gap-driven amount (\$1,082,496), the combined 2004 and 2007 allocations (\$1,082,726), and eligible basis-derived estimate (\$1,213,532), the gap-driven amount of \$1,082,496 (\$1,010,465 in 2004 credits and \$72,031 in 2007 credits) is recommended resulting in proceeds of \$10,608,463 based on a syndication rate of 98%. Should the final syndication price be determined to be higher, a reduction in the credit would be appropriate.

SUMMARY OF SALIENT RISKS AND ISSUES

- The seller of the property has an identity of interest with the Owner.

Underwriter:	_____	Date:	December 12, 2007
	<i>Cameron Dorsey</i>		
Manager of Real Estate Analysis:	_____	Date:	December 12, 2007
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	December 12, 2007
	<i>Tom Gouris</i>		

COST CERTIFICATION COMPARATIVE ANALYSIS

Tropical Gardens at Boca Chica, Brownsville, HTC#04191

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC30%/PHA	5	1	1	748	\$242	\$252	\$145	\$153	\$1,258	\$0.34	\$89.24	\$54.00
TC40%/PHA	5	1	1	748	323	252		\$234	1,258	0.34	89.24	54.00
TC60%	24	1	1	748	485	396	\$384	\$396	9,498	0.53	89.24	54.00
Mkt	2	1	1	748		500	\$540	(\$89)	1,000	0.67	89.24	54.00
TC30%/PHA	9	2	2	960	291	252	\$170	\$182	2,264	0.26	109.24	59.00
TC40%/PHA	11	2	2	960	388	252	\$266	\$279	2,767	0.26	109.24	59.00
TC50%/PHA	4	2	2	960	485	252	\$361	\$376	1,006	0.26	109.24	59.00
TC50%	7	2	2	960	485	376	\$361	\$376	2,630	0.39	109.24	59.00
TC60%	33	2	2	960	582	473	\$457	\$473	15,601	0.49	109.24	59.00
Mkt	3	2	2	960		650	\$640	(\$109)	1,950	0.68	109.24	59.00
TC30%/PHA	9	3	2	1,120	336	252	\$191	\$205	2,264	0.22	131.24	67.00
TC40%/PHA	11	3	2	1,120	448	252	\$302	\$317	2,767	0.22	131.24	67.00
TC50%/PHA	4	3	2	1,120	560	252	\$412	\$429	1,006	0.22	131.24	67.00
TC50%	7	3	2	1,120	560	429	\$412	\$429	3,001	0.38	131.24	67.00
TC60%	21	3	2	1,120	672	541	\$522	\$541	11,356	0.48	131.24	67.00
Mkt	3	3	2	1,120		790	\$715	(\$131)	2,370	0.71	131.24	67.00
TOTAL:	158		AVERAGE:	967	\$469	\$392			\$61,995	\$0.41	\$112.34	\$60.65

INCOME

Total Net Rentable Sq Ft: **152,848**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$15.00
Other Support Income: PHU Income		

POTENTIAL GROSS INCOME

Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%
Employee or Other Non-Rental Units or Concessions		

EFFECTIVE GROSS INCOME

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	8.15%	\$378	0.39
Management	5.00%	232	0.24
Payroll & Payroll Tax	11.72%	544	0.56
Repairs & Maintenance	8.73%	406	0.42
Utilities	5.41%	251	0.26
Water, Sewer, & Trash	7.95%	369	0.38
Property Insurance	6.51%	302	0.31
Property Tax	2.36596	0	0.00
Reserve for Replacements	4.31%	200	0.21
Other: compl fees	7.21%	335	0.35

TOTAL EXPENSES

	64.99%	\$3,018	\$3.12
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NET OPERATING INC

	35.01%	\$1,626	\$1.68
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DEBT SERVICE

AIG SunAmerica	31.47%	\$1,461	\$1.51
Brownsville Housing Authority	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	3.54%	\$164	\$0.17

AGGREGATE DEBT COVERAGE RATIO

	1.11	1.21	1.20	1.15
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RECOMMENDED DEBT COVERAGE RATIO

	1.11
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CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		4.21%	\$3,766	\$3.89
Demolition		2.16%	1,931	2.00
Sitework		10.67%	9,536	9.86
Direct Construction		47.52%	42,464	43.90
Contingency				
General Req'ts	6.00%	3.49%	3,120	3.23
Contractor's G & A	1.87%	1.09%	973	1.01
Contractor's Profit	5.61%	3.26%	2,918	3.02
Indirect Construction		3.13%	2,796	2.89
Ineligible Costs		7.92%	7,078	7.32
Developer's G & A	2.00%	1.47%	1,314	1.36
Developer's Profit	13.00%	9.56%	8,539	8.83
Interim Financing		1.43%	1,281	1.32
Reserves		1.17%	1,048	1.08
TOTAL COST	100.00%		\$89,362	\$92.37

Construction Cost Recap

	66.04%	\$59,011	\$61.00
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	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$594,970	\$397,000	\$742,000	\$1,000,000	\$6.54	\$6,329	6.74%
Demolition	305,030	0	0	305,030	2.00	1,931	2.06%
Sitework	1,506,724	948,001	948,001	1,506,724	9.86	9,536	10.15%
Direct Construction	6,709,351	5,860,366	5,723,400	7,362,992	48.17	46,601	49.62%
Contingency	410,804	340,418	435,804				
General Req'ts	492,964	408,502	435,804	493,204	3.23	3,122	3.32%
Contractor's G & A	153,657	136,167	145,268	153,657	1.01	973	1.04%
Contractor's Profit	460,971	408,502	435,804	460,971	3.02	2,918	3.11%
Indirect Construction	441,768	548,000	548,000	441,768	2.89	2,796	2.98%
Ineligible Costs	1,118,254	930,938	930,938	1,118,254	7.32	7,078	7.54%
Developer's G & A	207,572	267,131	270,450	0	0.00	0	0.00%
Developer's Profit	1,349,217	1,081,800	1,081,800	1,628,000	10.65	10,304	10.97%
Interim Financing	202,355	342,917	342,917	202,355	1.32	1,281	1.36%
Reserves	165,538	143,821	0	165,538	1.08	1,048	1.12%
TOTAL COST	\$14,119,175	\$11,813,563	\$12,040,186	\$14,838,493	\$97.08	\$93,915	100.00%

SOURCES OF FUNDS

AIG SunAmerica	22.13%	\$19,778	\$20.45
Brownsville Housing Authority	4.96%	\$4,430	\$4.58
HTC Syndication Proceeds	76.15%	\$68,053	\$70.35
Deferred Developer Fees	1.32%	\$1,178	\$1.22
Additional (Excess) Funds Req'd	-4.56%	(\$4,078)	(\$4.22)
TOTAL SOURCES			

RECOMMENDED

	\$3,125,000	\$2,600,000	\$2,600,000	\$3,125,000	\$3,125,000	Developer Fee Available
	700,000	710,000	710,000	700,000	700,000	\$1,593,251
	10,752,358	8,589,251	8,589,251	10,752,358	10,608,463	% of Dev. Fee Deferred
	186,135	140,933	140,933	186,135	0	0%
	(\$44,318)	(\$226,621)	2	75,000	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$14,119,175	\$11,813,563	\$12,040,186	\$14,838,493	\$14,433,463	\$873,897

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Date: 9/28/07

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$47.07	\$7,194,560
Adjustments				
Exterior Wall Finish	0.80%		\$0.38	\$57,556
9-Ft. Ceilings	3.10%		1.46	223,031
Wind Zone			0.84	128,392
Subfloor			(0.82)	(125,845)
Floor Cover			2.43	371,421
Porches/Balconies	\$24.79	28,093	4.56	696,425
Plumbing	\$805	366	1.93	294,630
Built-In Appliances	\$1,850	158	1.91	292,300
Stairs/Fireplaces	\$1,800	40	0.47	72,000
Enclosed Corridors	\$37.15		0.00	0
Heating/Cooling			1.90	290,411
Garages/Carports	\$10.15	31,600	2.10	320,740
Comm &/or Aux Bldgs	\$62.87	5,444	2.24	342,278
Fire Sprinklers	\$1.95	152,848	1.95	298,054
SUBTOTAL			68.41	10,455,954
Current Cost Multiplier	0.98		(1.37)	(209,119)
Local Multiplier	0.81		(13.00)	(1,986,631)
TOTAL DIRECT CONSTRUCTION COSTS			\$54.04	\$8,260,204
Plans, specs, survy, bld prm	3.90%		(\$2.11)	(\$322,148)
Interim Construction Interest	3.38%		(1.82)	(278,782)
Contractor's OH & Profit	11.50%		(6.21)	(949,923)
NET DIRECT CONSTRUCTION COSTS			\$43.90	\$6,709,351

PAYMENT COMPUTATION

Primary	\$3,125,000	Amort	360
Int Rate	6.25%	DCR	1.11

Secondary	\$700,000	Amort	0
Int Rate	4.79%	Subtotal DCR	1.11

Additional	\$10,752,358	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$230,894
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$25,977

Primary	\$3,125,000	Amort	360
Int Rate	6.25%	DCR	1.11

Secondary	\$700,000	Amort	0
Int Rate	4.79%	Subtotal DCR	1.11

Additional	\$10,752,358	Amort	0
Int Rate	0.00%	Aggregate DCR	1.11

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$743,946	\$766,264	\$789,252	\$812,930	\$837,318	\$970,681	\$1,125,285	\$1,304,514	\$1,753,157
Secondary Income	28,440	29,293	30,172	31,077	32,009	37,108	43,018	49,870	67,021
Other Support Income: PHU li	0	1,645	3,400	5,285	7,294	19,495	36,031	58,110	125,330
POTENTIAL GROSS INCOME	772,386	797,202	822,824	849,292	876,621	1,027,283	1,204,334	1,412,493	1,945,508
Vacancy & Collection Loss	(38,619)	(39,860)	(41,141)	(42,465)	(43,831)	(51,364)	(60,217)	(70,625)	(97,275)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$733,767	\$757,342	\$781,683	\$806,827	\$832,790	\$975,919	\$1,144,117	\$1,341,869	\$1,848,233
EXPENSES at 4.00%									
General & Administrative	\$59,799	\$62,191	\$64,678	\$67,265	\$69,956	\$85,112	\$103,552	\$125,987	\$186,491
Management	36,688	37,867	39,084	40,341	41,640	48,796	57,206	67,093	92,412
Payroll & Payroll Tax	86,019	89,459	93,038	96,759	100,630	122,431	148,956	181,228	268,262
Repairs & Maintenance	64,087	66,650	69,316	72,089	74,972	91,215	110,977	135,021	199,864
Utilities	39,680	41,267	42,918	44,635	46,420	56,477	68,713	83,600	123,748
Water, Sewer & Trash	58,331	60,664	63,090	65,614	68,239	83,023	101,010	122,894	181,913
Insurance	47,778	49,689	51,677	53,744	55,894	68,003	82,737	100,662	149,004
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	31,600	32,864	34,179	35,546	36,968	44,977	54,721	66,576	98,549
Other	52,914	55,031	57,232	59,521	61,902	75,313	91,630	111,482	165,020
TOTAL EXPENSES	\$476,895	\$495,682	\$515,212	\$535,514	\$556,620	\$675,348	\$819,502	\$994,543	\$1,465,264
NET OPERATING INCOME	\$256,871	\$261,660	\$266,471	\$271,313	\$276,171	\$300,571	\$324,615	\$347,325	\$382,969
DEBT SERVICE									
First Lien Financing	\$230,894	\$230,894	\$230,894	\$230,894	\$230,894	\$230,894	\$230,894	\$230,894	\$230,894
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	\$25,977	\$30,766	\$35,577	\$40,419	\$45,277	\$69,677	\$93,721	\$116,431	\$152,075
DEBT COVERAGE RATIO	1.11	1.13	1.15	1.18	1.20	1.30	1.41	1.50	1.66

COST CERTIFICATION ANALYSIS -Date: 9/28/07

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,000,000	\$594,970		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,506,724	\$1,506,724	\$1,506,724	\$1,506,724
Off-site improvements	\$305,030	\$305,030		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,362,992	\$6,709,351	\$7,362,992	\$6,709,351
(4) Contractor Fees & General Requirements				
Contractor overhead	\$153,657	\$153,657	\$153,657	\$153,657
Contractor profit	\$460,971	\$460,971	\$460,971	\$460,971
General requirements	\$493,204	\$492,964	\$493,204	\$492,964
(5) Contingencies				
		\$410,804		
(6) Eligible Indirect Fees				
	\$441,768	\$441,768	\$441,768	\$441,768
(7) Eligible Financing Fees				
	\$202,355	\$202,355	\$202,355	\$202,355
(8) All Ineligible Costs				
	\$1,118,254	\$1,118,254		
(9) Developer Fees				
			\$1,593,251	\$1,495,169
Developer overhead		\$207,572		
Developer fee	\$1,628,000	\$1,349,217		
(10) Development Reserves				
	\$165,538	\$165,538		
TOTAL DEVELOPMENT COSTS	\$14,838,493	\$14,119,175	\$12,214,922	\$11,462,959

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)]			
Commercial Space Costs		\$85,183	\$85,183
TOTAL ELIGIBLE BASIS		\$12,129,739	\$11,377,776
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$15,768,660	\$14,791,108
Applicable Fraction		94.94%	94.94%
TOTAL QUALIFIED BASIS		\$14,970,247	\$14,042,192
Applicable Percentage		8.14%	8.14%
TOTAL AMOUNT OF TAX CREDITS		\$1,218,961	\$1,143,393

Syndication Proceeds	\$0.980000	\$11,945,814	\$11,205,253
Total Tax Credits (Eligible Basis Method)		\$1,218,961	\$1,143,393
Syndication Proceeds		\$11,945,814	\$11,205,253
2004 Approved Tax Credits		\$1,010,465	
Syndication Proceeds		\$9,902,557	
2007 Approved Additional Tax Credits		\$72,261	
Additional Allocation Amount Accepted		\$72,261	
Cost Certification Request		\$1,082,726	
Syndication Proceeds		\$10,610,715	
Gap of Syndication Proceeds Needed		\$10,608,463	\$10,294,175
Total Tax Credits (Gap Method)		\$1,082,496	\$1,050,426
Reconciled Tax Credits		\$1,082,496	
Syndication Proceeds		\$10,608,463	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 2ND ADDENDUM

DATE: November 30, 2007 **PROGRAM:** 9% HTC **FILE NUMBER:** 04193

DEVELOPMENT NAME

Edinburg Senior Towers (f.k.a. Providence at Edinburg Apartments)

OWNER

Name:	Chicory Court XXX, LP.	Type:	For Profit
Address:	975 One Lincoln Centre	City:	Dallas State: Texas
Zip:	75240	Contact:	Saleem Jafar
		Phone:	(972) 239-8500 x 111
		Fax:	(972) 239-8373

PRINCIPALS of the OWNER/ KEY PARTICIPANTS

Name:	Edinburg Towers GP, LLC	(%):	0.01%	Title:	Managing General Partner
Name:	Edinburg Housing Development Corp	(%):	N/A	Title:	100% Owner of GP
Name:	Edinburg Housing Opportunity Corp	(%):	N/A	Title:	25% Co-Developer
Name:	ORH Development II LLC ("ORH")	(%):	N/A	Title:	75% Co- Developer
Name:	1029 Family Limited, LP (Saleem Jafar)	(%):	N/A	Title:	100% Interest in ORH
Name:	Bill Fisher	(%):	N/A	Title:	Contact for Applicant

PROPERTY LOCATION

Location: 201 North 13th Avenue **QCT** **DDA**
City: Edinburg **County:** Hidalgo **Zip:** 78541

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$357,369	N/A	N/A	N/A
2) \$29,947	N/A	N/A	N/A
Other Requested Terms:	1) 2004 Annual HTC allocation 2) 2007 "Additional 14%" Annual HTC allocation		
Original Proposed Use of Funds:	Demolition/New Construction	Property Type:	Multifamily
Actual Use of Funds:	Acquisition/Rehabilitation	Property Type:	Multifamily
Special Purpose (s):	Elderly		

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:

- The Owner failed to reconstruct the development as originally underwritten and approved by the TDHCA Board and failed to request and receive approval of the rehabilitation actually performed (refer to first addendum for detailed discussion).

ALTERNATIVE

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 2ND ADDENDUM

\$357,369 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS (refer to first addendum for additional discussion):

CONDITIONS

1. Board approval of the amendment requested and discussed in this addendum;
2. Receipt, review, and acceptance, prior to release of 8609s, of an appraisal supporting the identity of interest transfer of the property and documentation of the original cost plus holding costs supporting the transfer price;
3. Receipt, review, and acceptance, prior to release of 8609s, of any outstanding compliance fees;
4. Receipt, review, and acceptance of a final original recorded LURA with the required corrections and signatures; and
5. Receipt, review, and acceptance, prior to issuance of 8609s, of all other documentation required by the Cost Certification Procedures Manual and documentation that all conditions of the original underwriting report have been satisfied.

Architectural Rendering of New Construction at Application

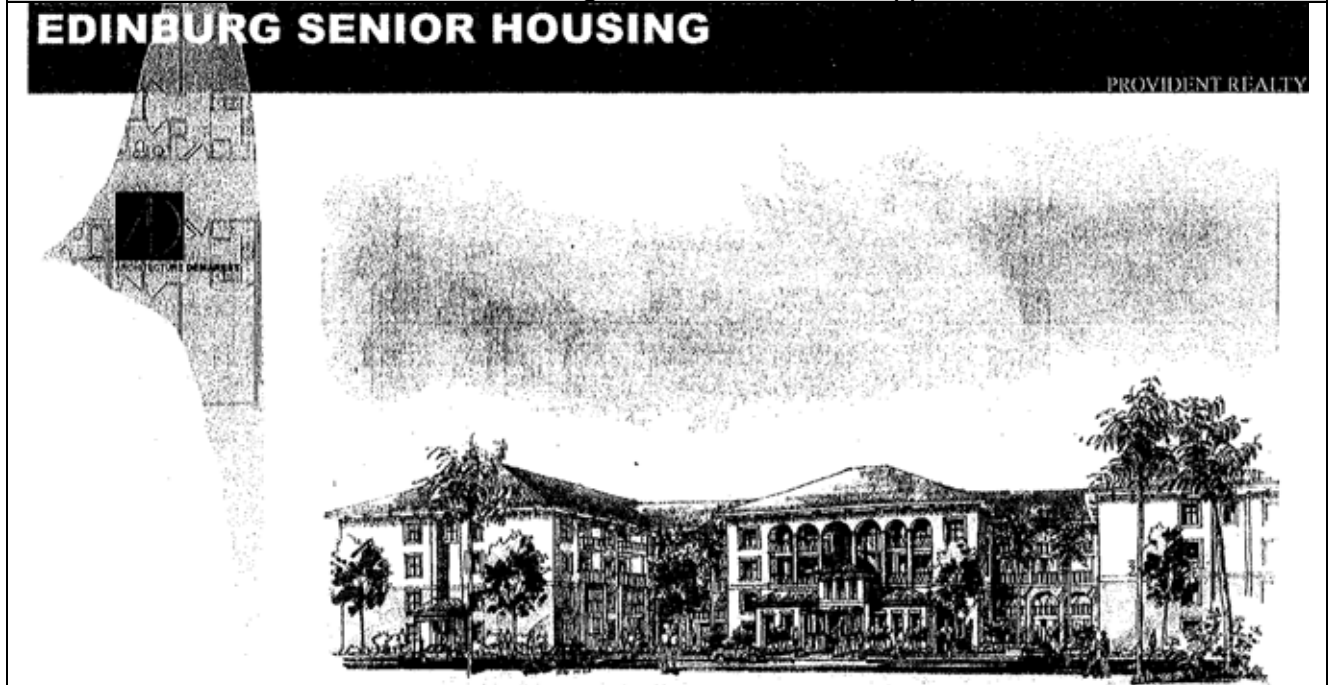


Photo of Property as Rehabilitated



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 2ND ADDENDUM**

2ND ADDENDUM

This second addendum is a follow-up and clarification of the first addendum and original underwriting report based upon feedback from the TDHCA Board at the November 8, 2007 board meeting and additional information provided by the Applicant. The recommendations of the first addendum have not changed as a result of this addendum; however, this is an analysis of the operating feasibility of the development as it has been completed.

The previous addendum contemplated the Applicant's amendment request regarding the decision to perform a rehabilitation of the existing seven story buildings at the site rather than reconstruct the development as originally called for in the application and the original underwriting. An architectural rendering of the new construction development proposed at application and a photo the actual property as rehabilitated are shown above.

The TDHCA staff recommended denying the Applicant's amendment request and rescinding the Applicant's 2004 and 2007 tax credit awards. At the November 8, 2007 Board meeting, the TDHCA Board tabled the Applicant's amendment item until the December 20, 2007 meeting and asked that staff evaluate the financial feasibility of the transaction as rehabilitated. This addendum has been completed in response to the Board's request based upon the latest information provided by the Applicant. It should be noted that the Applicant has provided staff with no Property Condition Assessment or sufficient appraisal or other information with which to evaluate the reasonableness or scope of the actual performed rehabilitation. Therefore, the Underwriter has relied heavily on the information provided by the Applicant despite the multiple iterations of many pivotal documents and substantial inconsistencies that have made the evaluation of this transaction arduous throughout the review process. This analysis focuses on the operating feasibility of the development as proposed. The remaining outstanding items are listed in the conditions section above.

Actual Unit Mix: The latest documentation indicates that the actual unit mix of the proposed development is as follows:

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF
TC 30%/ PHU	5	Efficiency	1	370
TC 60%/PHU	5	Efficiency	1	370
TC 60%/HAP	30	Efficiency	1	370
TC 30%/ PHU	4	1	1	511
TC 40%/PHU	8	1	1	511
TC 60%/PHU	3	1	1	511
TC 60%/HAP	45	1	1	511
TOTAL:	100		AVERAGE:	455

OPERATING PROFORMA ANALYSIS

Income: The Applicant's latest revised rent schedule, based on the unit mix in the chart above, reflects rents based upon the anticipated public housing subsidy for the 25 PHUs and the HAP contract for the remaining 75 units. However, the HAP rents do not correspond to the executed HAP contract or the rent roll provided; the reason for this inconsistency is unclear.

Based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy for the 25 PHUs will be equal to the PHUs prorated share of expenses less the tenant contribution and that no debt can be serviced by the public housing units. The resulting rent for the PHUs is equal to \$25 per month, which may increase or decrease based upon fluctuations in the actual operating expenses. The Applicant provided an executed Annual Contributions Contract for the 25 PHUs. For the Section 8 units, the Underwriter has used rents equal to those in the executed HAP contract. The HAP contract rents are consistent with those in the rent roll.

The Applicant indicated vacancy and collection loss of 7%, which is slightly higher than the Underwriter's estimated vacancy and collection loss of 5% based upon current occupancy and the generous subsidies

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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provided. Despite the differences described above, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expenses: The Applicant's latest revised submission reflects expenses of \$3,486 per unit which is 13% greater than the Underwriter's expenses of \$3,074 per unit based on YTD 2007 actual expenses, the TDHCA database, IREM data, and other sources. In addition, two of the Applicant's individual line items differ significantly from the Underwriter's, including: general and administrative (\$13K higher); and utilities (\$28K higher). The Applicant and Underwriter have assumed a 100% property tax exemption as reflected in the current year tax assessment for the property (a \$100 annual ground lease payment is reflected in this line item).

Conclusion: The Applicant's projected net operating income estimate is not within 5% of the Underwriter's estimate; therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the current 1.35 maximum. However, the Applicant has indicated two balloon notes from the Edinburg Housing Authority that, when considered in the DCR calculation, result in a DCR of 0.85 which is below the Department's minimum and below the development's projected break even operations. The EHA loans will be serviced as operations allow, and the effective actual DCR is projected to be reasonably within the guideline due to the additional loans that will not be payable regularly as the first lien will. Therefore, no adjustment to the permanent debt is necessary. The potential effects of the two balloon notes will be discussed in detail in the financing 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 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.

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's CPA has provided a revised development cost schedule reflecting an increase in the acquisition cost from \$10,000 to \$1,220,000. The new cost schedule has been certified to by the CPA and is consistent with the Contractor's Application for Final Payment. As indicated above, the TDHCA Board requested that the development be evaluated as rehabilitated for financial feasibility. Because the application was for a new construction development a completed Property Condition Assessment was not provided at underwriting and the Applicant has not provided a PCA at cost certification. Therefore, the Underwriter cannot assess the reasonableness of the Applicant's construction costs or the scope of work. The Underwriter's costs will still reflect new construction costs due to the lack of additional information. However, the Applicant's costs will be used to determine the development's gap in financing and financial feasibility pursuant to the Board's request.

Acquisition Value: A Bill of Sale has been provided that documents a cost of \$1,210,000 and the remaining \$10,000 has been allocated to the ground lease. The Applicant could not provide any documentation of these costs, but the CPA has certified that they were legal fees and that no closing statement would specifically document these costs. The Underwriter has accepted the revised acquisition cost of \$1,220,000, subject to an appraisal performed in accordance with Department guidelines and supporting this purchase price.

The Applicant has indicated that they do not need an appraisal to complete the feasibility analysis the TDHCA Board requested at the November Board meeting. The Applicant stated, "We will provide a valuation to the department in time for completion of this item. However, let me reiterate the fact it is just compliance with procedures and has no impact on the financial feasibility and cost basis supporting the 8609's" (email 11/26/2007). An appraisal is required for identity of interest transactions pursuant to the Department's guidelines approved by the TDHCA Board. The Applicant's refusal to provide documentation requested in a timely manner limits staff's ability to provide an accurate evaluation for the Board's consideration. Moreover, the audited financials submitted to support the cost basis appear to lump together all of the financial activities of the Housing Authority and provide no way for the Underwriter to confirm the cost basis as is required for all identity of interest transactions. The Applicant has simply written "Towers"

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 2ND ADDENDUM

beside a lump fixed assets figure. The appraisal and cost basis documentation must be submitted prior to issuance of the 8609s and this report is conditioned upon their receipt.

Sitework Cost: The Applicant's CPA has certified to sitework costs of \$1,307 per unit, which is consistent with the Contractor's Application for Final Payment. As indicated above the Applicant's costs will be used in this analysis and the Underwriter does not have a valid PCA to evaluate their reasonableness.

Direct Construction Cost: The actual scope of rehab work performed, provided by the Owner on October 22, 2007, indicates the following was performed: buildings power washed and sealed; new roofing and removal of existing roof mounted chillers; replace all interior doors; painting all interior walls; new ceilings; new flooring; replacement of kitchen cabinets and appliances; new bathroom accessories and finishes; replace aluminum siding and patio doors; repair damaged railings and patio floors; install new elevators; enclose existing open-air walkways; install emergency generator; install new mailboxes; replace fire alarm system; remove and relocate trash chute; provide 6 new accessible units; replace security system; and repair rusting handrails. This scope of work was certified by the Architect prior to construction (6/8/05) and the Architect and Contractor have certified (7/29/07) that the total contract amount of \$3,835,826 has been completed. The Owner's cost certification reflects that the work performed amounts to \$38,358 in rehabilitation per unit. The Underwriter believes that this scope of work is extraordinarily high given the scope of work provided. As required by the Cost Certification Procedures Manual (CCPM) either a Certificate of Occupancy issued by the local government authority for a newly constructed development, or a certification by the Architect of the completion date and date ready for occupancy for rehabilitated developments must be submitted. The Owner provided a Certificate of Occupancy from the City of Edinburg rather than the required Architect's certification for rehabilitation activity.

Conclusion: As reflected above, the Applicant has not provided sufficient information on which to evaluate the reasonableness of the costs incurred or scope of work. Per the Board's request, the Underwriter has assumed that the Applicant's development costs are reasonable and has evaluated the financial feasibility of the subject development using the development cost schedule provided.

The Applicant's cost schedule results in an eligible basis of \$4,773,463, which supports tax credits of \$387,605, using an applicable percentage of 8.12% based on the place in service date of the buildings. This figure will be compared to the tax credits calculated based on the gap method in permanent funds to determine the recommended allocation.

FINANCING STRUCTURE			
INTERIM TO PERMANENT FINANCING			
Source:	SunAmerica	Contact:	David Armitage
Permanent:	\$1,200,000	Interest Rate:	7.135%, fixed
		Amort:	360 months
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:	Closed on December 9, 2005.		
INTERIM TO PERMANENT FINANCING			
Source:	Edinburg Housing Authority	Contact:	Estella Trevino
Interim:	\$590,000	Interest Rate:	AFR
		Term:	12 months
Permanent:	\$1,210,000	Interest Rate:	5.32%, Fixed
		Term:	366 months
Documentation:	<input type="checkbox"/> Signed <input type="checkbox"/> Term Sheet <input type="checkbox"/> LOI <input type="checkbox"/> Firm Commitment <input type="checkbox"/> Conditional Commitment <input type="checkbox"/> Application		
Comments:	The permanent loan closed June 2006. The loan is structured as a balloon with interest accruing at 5.32% until maturity in December 2036. The Applicant indicated that the interim funds were rolled into the permanent loan.		
PERMANENT FINANCING			
Source:	Edinburg Housing Authority	Contact:	Estella Trevino
Permanent:	\$350,000	Interest Rate:	5.32%, Fixed, Estimated
		Term:	366 months

COST CERTIFICATION COMPARATIVE ANALYSIS

Edinburg Senior Towers, Edinburg, HTC#04193

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Elect/Gas	Wtr, Swr, Trsh
TC 30%/ PHU	5	0	1	370	\$226	\$256	\$169	\$291	\$1,281	\$0.69	\$29.00	\$26.00
TC 60%/PHU	5	0	1	370	453	256	392	291	1,281	0.69	29.00	26.00
TC 60%/HAP	30	0	1	370	453	435	392	432	13,050	1.18	29.00	26.00
TC 30%/ PHU	4	1	1	511	226	256	162	291	1,025	0.50	43.00	32.00
TC 40%/PHU	8	1	1	511	302	256	242	291	2,049	0.50	43.00	32.00
TC 60%/PHU	3	1	1	511	302	256	401	291	769	0.50	43.00	32.00
TC 60%/HAP	45	1	1	511	453	460	401	463	20,700	0.90	43.00	32.00
TOTAL:	100		AVERAGE:	455	\$416	\$402			\$40,155	\$0.88	\$37.40	\$29.60

INCOME

Total Net Rentable Sq Ft: **45,460**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$10.00
ACC Public Housing Subsidy		

POTENTIAL GROSS INCOME

Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%
Employee or Other Non-Rental Units or Concessions		

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	6.86%	\$322	0.71
Management	5.00%	235	0.52
Payroll & Payroll Tax	15.98%	750	1.65
Repairs & Maintenance	8.20%	385	0.85
Utilities	12.12%	569	1.25
Water, Sewer, & Trash	6.01%	282	0.62
Property Insurance	4.52%	212	0.47
Property Tax	2.8663%	1	0.00
Reserve for Replacements	6.39%	300	0.66
Other: Cable	0.42%	20	0.04
TOTAL EXPENSES	65.53%	\$3,074	\$6.76

NET OPERATING INC

	34.47%	\$1,617	\$3.56
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DEBT SERVICE

AMAC	20.70%	\$971	\$2.14
Edinburg Housing Authority	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	13.77%	\$646	\$1.42

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		19.64%	\$12,200	\$26.84
Off-Sites		0.00%	0	0.00
Sitework		8.69%	5,400	11.88
Direct Construction		37.50%	23,294	51.24
Contingency				
General Req'ts	6.00%	2.77%	1,722	3.79
Contractor's G & A	2.00%	0.92%	574	1.26
Contractor's Profit	6.00%	2.77%	1,722	3.79
Indirect Construction		4.69%	2,916	6.41
Ineligible Costs		10.13%	6,291	13.84
Developer's G & A	2.00%	1.21%	749	1.65
Developer's Profit	13.00%	7.83%	4,867	10.71
Interim Financing		0.60%	374	0.82
Reserves		0.94%	582	1.28
TOTAL COST		100.00%	\$62,124	\$136.66
Construction Cost Recap		52.66%	\$32,711	\$71.96

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$481,856	\$438,060	\$465,924	\$492,840
12,000	12,000	12,000	12,000
0	0	0	0
\$493,856	\$450,060	\$477,924	\$504,840
(24,693)	(33,755)	(35,844)	(35,340)
0	0	0	0
\$469,163	\$416,305	\$442,080	\$469,500
\$32,173	\$24,002	\$27,500	\$45,000
23,458	16,652	17,683	18,780
74,966	71,675	80,500	86,250
38,477	33,032	52,450	41,600
56,856	29,783	17,500	84,200
28,206	25,399	21,500	22,500
21,199	17,345	11,563	18,184
100	100	100	100
30,000	25,000	25,000	30,000
1,990	17,990	17,990	1,990
\$307,425	\$260,978	\$271,786	\$348,604
\$161,738	\$155,327	\$170,294	\$120,896
\$97,113	\$141,850	\$141,850	\$95,804
0	34,374	0	0
0	0	0	0
\$64,626	(\$20,897)	\$28,444	\$25,092
1.67	0.88	1.20	1.26
1.67			

Comptroller's Region	11
IREM Region	
\$10.00 Per Unit Per Month	
\$0.00 Per Unit Per Month	
-7.00% of Potential Gross Income	

PER SQ FT	PER UNIT	% OF EGI
\$0.99	\$450	9.58%
0.41	188	4.00%
1.90	863	18.37%
0.92	416	8.86%
1.85	842	17.93%
0.49	225	4.79%
0.40	182	3.87%
0.00	1	0.02%
0.66	300	6.39%
0.04	20	0.42%
\$7.67	\$3,486	74.25%
\$2.66	\$1,209	25.75%

SOURCES OF FUNDS

AMAC	19.32%	\$12,000	\$26.40
Edinburg Housing Authority	19.48%	\$12,100	\$26.62
Edinburg Housing Authority	5.63%	\$3,500	\$7.70
HTC Proceeds-Sun America	57.72%	\$35,858	\$78.88
Deferred Developer Fees	4.52%	\$2,805	\$6.17
Additional (Excess) Funds Req'd	-6.66%	(\$4,139)	(\$9.10)
TOTAL SOURCES			

RECOMMENDED	DEVELOPER FEE AVAILABLE
\$1,200,000	\$1,200,000
\$1,650,000	\$1,650,000
\$1,650,000	\$1,650,000
\$1,200,000	\$1,200,000
\$1,210,000	\$1,210,000
\$350,000	\$350,000
\$3,585,751	\$3,585,751
\$280,534	\$280,534
(\$413,911)	0
\$6,212,374	\$6,212,374
\$5,537,742	\$5,537,742
\$5,278,989	\$5,278,989
\$6,626,285	\$6,626,285
\$6,626,285	\$6,626,285

Developer Fee Available
\$608,652
% of Dev. Fee Deferred
11%
15-Yr Cumulative Cash Flow
\$1,226,185

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$63.20	\$2,872,942
Adjustments				
Exterior Wall Finish	1.20%		\$0.76	\$34,475
Elderly/9-Ft. Ceilings	3.00%		1.90	86,188
Roofing			0.00	0
Subfloor			(0.62)	(28,072)
Floor Cover			2.43	110,468
Porches/Balconies	\$30.98	3,704	1.98	90,231
Plumbing	\$805	100	1.39	63,296
Built-In Appliances	\$1,850	100	3.20	145,463
Stairs Interior	\$5,400	2	0.19	8,492
Floor Insulation			0.00	0
Heating/Cooling			1.90	86,374
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$70.97	2,000	2.45	111,598
Other: Elevator	\$62,000	1	1.07	48,750
SUBTOTAL			79.85	3,630,205
Current Cost Multiplier	0.98		(1.60)	(72,604)
Local Multiplier	0.81		(15.17)	(689,739)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.09	\$2,867,862
Plans, specs, survy, bld prmts	3.90%		(\$2.46)	(\$111,847)
Interim Construction Interest	3.38%		(2.13)	(96,790)
Contractor's OH & Profit	11.50%		(7.25)	(329,804)
NET DIRECT CONSTRUCTION COSTS			\$51.24	\$2,329,421

PAYMENT COMPUTATION

Primary	\$1,200,000	Amort	360
Int Rate	7.135%	DCR	1.67

Secondary	\$1,210,000	Amort	
Int Rate	5.32%	Subtotal DCR	1.67

Additional	\$350,000	Amort	
Int Rate	5.32%	Aggregate DCR	1.67

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$97,113
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$64,626

Primary	\$1,200,000	Amort	360
Int Rate	7.135%	DCR	1.67

Secondary	\$1,210,000	Amort	
Int Rate	5.32%	Subtotal DCR	1.67

Additional	\$350,000	Amort	0
Int Rate	5.32%	Aggregate DCR	1.67

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	\$481,856	\$496,312	\$511,201	\$526,537	\$542,333	\$628,713	\$728,851	\$844,938	\$1,135,526
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
ACC Public Housing Subsidy	0	718	1,487	2,309	3,186	8,516	15,740	25,386	54,752
POTENTIAL GROSS INCOME	493,856	509,390	525,419	541,959	559,026	652,886	762,742	891,366	1,218,557
Vacancy & Collection Loss	(24,693)	(25,469)	(26,271)	(27,098)	(27,951)	(32,644)	(38,137)	(44,568)	(60,928)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$469,163	\$483,920	\$499,148	\$514,861	\$531,074	\$620,242	\$724,605	\$846,798	\$1,157,629
EXPENSES at 4.00%									
General & Administrative	\$32,173	\$33,460	\$34,799	\$36,190	\$37,638	\$45,792	\$55,714	\$67,784	\$100,337
Management	23,458	24,196	24,957	25,743	26,554	31,012	36,230	42,340	57,881
Payroll & Payroll Tax	74,966	77,964	81,083	84,326	87,699	106,700	129,817	157,942	233,792
Repairs & Maintenance	38,477	40,016	41,617	43,282	45,013	54,765	66,630	81,066	119,997
Utilities	56,856	59,130	61,495	63,955	66,513	80,924	98,456	119,787	177,314
Water, Sewer & Trash	28,206	29,334	30,507	31,728	32,997	40,146	48,843	59,425	87,964
Insurance	21,199	22,047	22,928	23,846	24,799	30,172	36,709	44,662	66,111
Property Tax	100	104	108	112	117	142	173	211	312
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	1,990	2,070	2,152	2,238	2,328	2,832	3,446	4,193	6,206
TOTAL EXPENSES	\$307,425	\$319,521	\$332,096	\$345,167	\$358,755	\$435,185	\$527,969	\$640,615	\$943,475
NET OPERATING INCOME	\$161,738	\$164,399	\$167,052	\$169,694	\$172,320	\$185,057	\$196,636	\$206,183	\$214,154
DEBT SERVICE									
First Lien Financing	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113
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	\$64,626	\$67,286	\$69,940	\$72,581	\$75,207	\$87,944	\$99,523	\$109,070	\$117,041
DEBT COVERAGE RATIO	1.67	1.69	1.72	1.75	1.77	1.91	2.02	2.12	2.21

COST CERTIFICATION ANALYSIS -Date: 11/19/2007				
Edinburg Senior Towers, Edinburg, #04193				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,220,000	\$1,220,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$130,735	\$540,000	\$130,735	\$540,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$3,291,819	\$2,329,421	\$3,291,819	\$2,329,421
(4) Contractor Fees & General Requirements				
Contractor overhead	\$59,039	\$57,388	\$59,039	\$57,388
Contractor profit	\$177,117	\$172,165	\$177,117	\$172,165
General requirements	\$177,117	\$172,165	\$177,117	\$172,165
(5) Contingencies				
		\$143,471		\$143,471
(6) Eligible Indirect Fees				
	\$291,608	\$291,608	\$291,608	\$291,608
(7) Eligible Financing Fees				
	\$37,376	\$37,376	\$37,376	\$37,376
(8) All Ineligible Costs				
	\$629,058	\$629,058		
(9) Developer Fees				
Developer overhead		\$74,872		\$74,872
Developer fee	\$608,652	\$486,667	\$608,652	\$486,667
(10) Development Reserves				
	\$3,764	\$58,182		
TOTAL DEVELOPMENT COSTS	\$6,626,285	\$6,212,374	\$4,773,463	\$4,305,134

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		\$4,773,463	\$4,305,134
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$4,773,463	\$4,305,134
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$4,773,463	\$4,305,134
Applicable Percentage		8.12%	8.12%
TOTAL AMOUNT OF TAX CREDITS		\$387,605	\$349,577

Syndication Proceeds	0.9803	\$3,799,736	\$3,426,940
Total Tax Credits (Eligible Basis Method)		\$387,605	\$349,577
Syndication Proceeds		\$3,799,736	\$3,426,940
Approved 2004 Tax Credits		\$357,369	
Syndication Proceeds		\$3,503,327	
Cost Certification Request		\$387,318	
Syndication Proceeds		\$3,796,921	
Gap of Syndication Proceeds Needed		\$3,866,285	\$3,452,374
Total Tax Credits (Gap Method)		\$394,394	\$352,171
Reconciled Tax Credits		\$387,316	\$349,577
Syndication Proceeds		\$3,796,897	\$3,426,940
Combined Approved Allocation (2004+2007)		\$387,316	
Syndication Proceeds		\$3,796,901	
Additional 2007 Allocation Amount		\$29,947	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

DATE: October 22, 2007

PROGRAM: 9% HTC

FILE NUMBER: 04193

DEVELOPMENT NAME

Edinburg Senior Towers (f.k.a. Providence at Edinburg Apartments)

APPLICANT

Name:	Chicory Court XXX, LP.	Type:	For Profit
Address:	975 One Lincoln Centre	City:	Dallas
		State:	Texas
Zip:	75240	Contact:	Saleem Jafar
		Phone:	(972) 239-8500 x 111
		Fax:	(972) 239-8373

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Chicory GP - XXX, LLC	(%)	0.01%	Title:	Managing General Partner
Name:	Edinburg Housing Opportunity Corp	(%)	N/A	Title:	100% Owner of MGP & 15% Co-Developer
Name:	LJB Holdings, Ltd. (Leon J. Backes)	(%)	N/A	Title:	10% Interest in Developer
Name:	1029 Family Limited, LP (Saleem Jafar)	(%)	N/A	Title:	75% Interest in Developer

PROPERTY LOCATION

Location: 201 North 13th Avenue QCT DDA
City: Edinburg County: Hidalgo Zip: 78541

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$361,397	N/A	N/A	N/A
Other Requested Terms:	Annual ten-year allocation of housing tax credits		
Original Proposed Use of Funds:	Demolition/New Construction	Property Type:	Multifamily
Actual Use of Funds:	Acquisition/Rehabilitation	Property Type:	Multifamily
Special Purpose (s):	Elderly		

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION FROM THE 2004 CEILING NOT TO EXCEED \$339,553 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance, prior to release of 8609s, of documentation verifying the transfer price of the property and an explanation of any variance from the cost schedule or ground lease;
2. Receipt, review, and acceptance, prior to release of 8609s, of solid documentation of the amount and terms of the funds provided by the Housing Authority;
3. Receipt, review, and acceptance, prior to release of 8609s, of a rent schedule with the correct unit mix and a rent roll with the unit type and restriction identified;
4. Receipt, review, and acceptance, prior to release of 8609s, of the current HAP Contract and Annual

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MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

Contributions Contract for the PHUs;

5. Receipt, review, and acceptance, prior to release of 8609s, of a letter from the County Appraisal District clarifying the tax assessment and verifying the tax exemption;
6. Receipt, review, and acceptance of a final recorded LURA with the required TDHCA signatures;
7. Therefore, receipt, review, and acceptance of a final recorded LURA with the required TDHCA signatures is a condition of this report.
8. Receipt, review, and acceptance, prior to issuance of 8609s, all other documentation required for completion of cost certification and documentation that all conditions of the original underwriting report have been satisfied.

ADDENDUM

The subject development has been submitted for cost certification. The Applicant has requested 8609s for \$387,318 which is the entire 2004 allocation of \$357,369 and the entire 14% increase allocation from the 2007 HTC ceiling of \$29,947. However, the cost certification package indicates a substantially different development plan than was originally underwritten and approved by the TDHCA Board in 2004.

The subject transaction was originally underwritten as a development that would be newly constructed after the demolition of the existing structures. At underwriting, the Underwriter confirmed that the Applicant's intended development was as underwritten. However, the application underwent some changes prior to underwriting, as follows:

1. Originally submitted as an acquisition/rehabilitation for 2004 9% HTC cycle;
2. Resubmitted during same cycle as a new construction (with demolition of existing buildings).

As a result of this decision to resubmit, the Underwriter requested documentation to support the economic decision to reconstruct the development verses rehabilitate the existing development. As indicated in the original underwriting report, the Applicant responded in writing that "systems in the buildings since the date of application have experienced significant failures making it a better economic choice to rebuild new" (letter dated August 10, 2004). Additionally, the Applicant provided a draft property condition assessment indicating, "Our total cost estimate to make the needed repairs/upgrades may not be justifiable, given the extent and nature of the deficiencies and the overall condition of the existing systems and building finishes" (p. 3). While the PCA was not fully evaluated and does not meet the TDHCA guidelines, the general conclusions supported the Applicant's decision to reconstruct. The application evaluated by the Underwriter included the necessary information for underwriting the property as a new construction including building plans and development characteristics.

Due to changes to the list of approved applications during the 2004 9% cycle, the subject application was added to the award list for the September 2004 Board meeting and approved subject to underwriting. The underwriting was completed on December 8, 2004 at which time the underwriting report was sent to the Applicant with notification that the appeal timeline had been triggered by sending the underwriting report. The Applicant did not appeal any portion of the underwriting report at that time or at any time subsequent to completion of the report to assert that the development plan was to rehabilitate.

The need to pursue an appeal was only made known due to major discrepancies in the cost certification package and the final inspection report, both of which indicate that the existing development was rehabilitated instead of reconstructed. It should be noted that other major deficiencies are also outstanding as of the date of this addendum.

The Applicant originally asserted that no appeal was necessary because the Department had already approved the plan to rehabilitate. Additionally, the Applicant stated that they had moved forward with rehabilitation because staff had misinformed the Applicant in February of 2004 regarding QAP limits on unit sizes. Specifically, the Applicant has asked if rehabilitation applications were required to meet the unit size requirements in the QAP. The Applicant received an affirmative response, which was incorrect. However, the Applicant could not provide any verification that an appeal or any request regarding the development plan had been submitted and staff could find no documentation that the Applicant had

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MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

requested this substantial change to the development plan subsequent to completion of underwriting. As a result, cost certification and issuance of the 8609s cannot be completed until the development plan issue is resolved.

This addendum evaluates the major differences to the development plan and development costs between the original underwriting and the cost certification documentation that would materially affect the underwriting. In addition to these items discussed below, the rehabilitation of the existing units also has an affect on threshold and selection (points) items. These items have been evaluated by the Multifamily Finance Production staff.

Major Changes Affecting Development Costs		
	At Underwriting	At Cost Certification
Construction Type	New Construction	Rehabilitation
Unit Mix	28 efficiency/72 1-bedroom	40 efficiency/60 1-bedroom
Net Rentable Square Feet	57,816	47,152
Average Unit Size (SF)	578	472
# Floors	4	7
# of Buildings	1	2
Carports Planned	100	Reduced but undefined #

OUTSTANDING ISSUES

In addition to the items discussed below, the following items have not yet been resolved and remain outstanding:

Acquisition Value: The development was originally underwritten with an acquisition value of \$535,000, which is equal to the appraised value of the land and the maximum value the Applicant can claim in an identity of interest transfer. The development cost schedule in the cost certification package indicates a value of \$10,000, the Ground Lease indicates \$600,000, and the sources and uses of funds appears to indicate up to \$1,200,000. The Underwriter has assumed the Ground Lease figure of \$600,000, but this cannot be fully resolved until the Applicant's CPA reconciles this issue. Receipt, review, and acceptance, prior to release of 8609s, of documentation verifying the transfer price of the property and an explanation of any variance from the cost schedule or ground lease is a condition of this report.

Financing Structure: The Applicant has indicated a loan made to the partnership from the Housing Authority. However, the information in the cost certification package indicates varying information regarding the amount and terms of the funds. A promissory note provided indicates a loan of \$590,000 while the sources and uses of funds indicates a contribution of \$1,560,000. The terms of the funds are unclear, but could have a substantial impact on the eligible basis of the development and/or the developments gap in financing. Therefore, receipt, review, and acceptance, prior to release of 8609s, of solid documentation of the amount and terms of the funds provided by the Housing Authority is a condition of this report. The Underwriter has assumed the loan is equal to the amount indicated in the promissory note of \$590,000 and that the interest rate is AFR with the interest and principal repayable at the currently unknown term. This is the general structure outlined in the financing narrative.

It should also be noted that the development's permanent first lien decreased by \$450K. However, no debt service adjustments will be made as a result of the substantial outstanding items that could affect the operating proforma as discussed below.

Unit Mix: The Applicant submitted a rent schedule with the Cost Certification package that conflicts with the unit mix noted in the TDHCA Final Inspection Report. The major difference is identified in the chart above, and this may have a substantial effect on income. The Underwriter has assumed the Applicant's rent

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schedule is correct in this addendum, but this item must be resolved. Receipt, review, and acceptance, prior to release of 8609s, of a rent schedule with the correct unit mix and a rent roll with the unit type and restriction identified are conditions of this report.

Rental Subsidy: The Applicant has indicated a HAP Contract and Annual Contributions Contract that covers 100% of the units and could greatly affect the development income. However, the Applicant did not provide these contracts in the cost certification package. The Underwriter has assumed that the rent levels identified by the Applicant are correct in this addendum. Receipt, review, and acceptance, prior to release of 8609s, of the current HAP Contract and Annual Contributions Contract for the PHUs is a condition of this report.

Property Tax Exemption: The Applicant has provided a tax assessment to document the property's 100% tax exemption. However, the improvements noted on the assessment include mobile homes and a nursing home. Therefore, the Underwriter has requested but not received clarification from the County Appraisal District. Receipt, review, and acceptance, prior to release of 8609s, of a letter from the County Appraisal District clarifying the tax assessment and verifying the tax exemption is a condition of this report.

Properly Recorded Land Use Restriction Agreement (LURA): The Applicant recorded the LURA without the required signatures from the TDHCA. Therefore, receipt, review, and acceptance of a final recorded LURA with the required TDHCA signatures is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: As indicated above, the acquisition cost is unclear. For the purposes of this analysis, the Underwriter has assumed a value of \$600,000 in line with the Ground Lease provided. The Applicant has used a value of \$10,000.

Sitework Cost: The Underwriter has used the sitework cost of \$1,307 per unit indicated in the development cost schedule provided at cost certification. This is substantially less than the amount originally underwritten (\$5,400 per unit), but greater than the original PCA figure provided of \$975 per unit (eligible sitework only).

Direct Construction Cost: The Underwriter has evaluated the direct construction costs as originally underwritten, based upon the PCA estimate from 2004, as rehabilitated, and new construction cost as of October 2007. The Applicant's actual direct construction costs and actual total hard costs are substantially higher than originally underwritten and higher than if the development was demolished and reconstructed today with the additional 10,000 SF in net rentable square footage that was proposed at application. Based on the Underwriter's *Marshall and Swift Residential Cost Handbook*, the direct costs for the underwritten new construction property with 57,817 NRSF would be \$47.92 per NRSF if the Applicant were to begin construction today versus the actual rehabilitation costs of \$69.81 for much less square footage (47,152 NRSF). The Applicant's actual total hard construction cost is 21% higher than the total hard construction cost at application. This clearly appears to indicate that the Applicant's and PCA provider's assertions that the economic decision to reconstruct was better than to rehabilitate was correct. However, the Applicant pursued rehabilitation of the existing property without TDHCA Board approval.

In addition, the PCA provided at application does not meet the Department's guidelines and provides very little detail about the scope of work needed. Because a rehabilitation plan and new PCA was not subsequently provided, the Underwriter cannot evaluate any of the actual work that was performed as part of the actual rehabilitation.

Conclusion: Due to the substantial inconsistencies in the cost certification documentation provided, the actual total development cost is currently unknown. Based upon the assumption noted above, the Applicant's total rehabilitation development cost is within 5% the Underwriter's total new construction cost. However, this is largely the result of the uncertainty surrounding what the actual correct acquisition cost is. If the Applicant's total costs are used, the development's eligible basis is \$4,773,463 which results in housing tax credit amount of \$387,369. Based on the Underwriter's costs, if a new construction as originally proposed had been completed, a lower eligible basis of \$4,181,683 results in housing tax credits of \$339,553. This amounts to \$48K less than the Applicant's cost certification request for a new construction

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MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

development plan that would produce 10K additional net rentable square feet larger units on average. Moreover, the additional 2007 HTC's resulting from the Board's 14% cost increase allocation would not be needed.

Based upon this evaluation, the Applicant's costs and resulting eligible basis is substantially less cost efficient than the original Board approved and underwritten reconstruction plan. Therefore, the Underwriter's recommendation is a reduction in the housing tax credit allocation to the Underwriter's eligible basis derived amount of \$339,553, which results in an equity contribution of \$3,081,579 assuming a syndication rate of 91%. This entire amount would come from the original 2004 allocation allowing for the return of the 2007 allocation and use for other purposes.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

Underwriter:

Cameron Dorsey

Date: October 22, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: October 22, 2007

COST CERTIFICATION COMPARATIVE ANALYSIS

Edinburg Senior Towers, Edinburg, HTC#04193

Reviewed by: Raquel Morales

Date: 8/21/07

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CONTRBEN	Rent/Per Month	Rent per SF	Elec/Gas	Wir, Swr, Trash
TC 30%/PHU	5	0	1	370	\$226	\$281	\$188	\$226	\$1,405	\$0.76	\$29.00	\$26.00
TC 60%/HAP	23	0	1	370	453	435	\$392	\$453	10,005	1.18	29.00	26.00
TC 30%/PHU	4	1	1	511	226	281	\$182	\$226	1,124	0.55	43.00	32.00
TC 40%/PHU	8	1	1	511	302	281	\$242	\$302	2,248	0.55	43.00	32.00
TC 50%/PHU	8	1	1	511	453	281	\$401	\$453	2,248	0.55	43.00	32.00
TC 60%/HAP	52	1	1	511	453	460	\$401	\$453	23,920	0.90	43.00	32.00
TOTAL:	100		AVERAGE:	472	\$420				\$40,950	\$0.87	\$39.08	\$30.32

INCOME

Total Net Rentable Sq Ft: 47,152

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$10.00

Other Support Income: (describe)

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.87%	\$227	0.48
Management	3.88%	181	0.38
Payroll & Payroll Tax	12.47%	581	1.23
Repairs & Maintenance	6.36%	296	0.63
Utilities	12.59%	586	1.24
Water, Sewer, & Trash	6.14%	286	0.61
Property Insurance	3.54%	165	0.35
Property Tax	2.8663%	1	0.00
Reserve for Replacements	4.30%	200	0.42
Other:	2.74%	128	0.27
TOTAL EXPENSES	56.91%	\$2,850	\$5.62
NET OPERATING INC	43.09%	\$2,006	\$4.25

DEBT SERVICE

AMAC	20.08%	\$971	\$2.06
Edinburg Housing Authority	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	22.23%	\$1,035	\$2.20

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		10.88%	\$6,000	\$12.72
Off-Sites		0.00%	0	0.00
Sitework		2.39%	1,307	2.77
Direct Construction		50.72%	27,704	58.76
Contingency				
General Req'ts	6.00%	3.19%	1,741	3.69
Contractor's G & A	2.00%	1.06%	560	1.23
Contractor's Profit	6.00%	3.19%	1,741	3.69
Indirect Construction		5.34%	2,916	6.18
Ineligible Costs		11.52%	6,291	13.34
Developer's G & A	2.00%	1.33%	727	1.54
Developer's Profit	13.00%	8.65%	4,727	10.03
Interim Financing		0.88%	374	0.79
Reserves		0.95%	519	1.10
TOTAL COST	100.00%	\$54,626	\$115.85	\$5,462.623
Construction Cost Recap	60.54%	\$33,073	\$70.14	\$3,307,262

SOURCES OF FUNDS

AMAC	21.97%	\$12,000	\$25.45
Edinburg Housing Authority	10.80%	\$5,900	\$12.51
HTC Syndication Proceeds	65.64%	\$35,858	\$76.05
Deferred Developer Fees	5.14%	\$2,808	\$5.96
Additional (Excess) Funds Req'd	-3.55%	(\$1,939)	(\$4.11)
TOTAL SOURCES			

TDHCA-CC	TDHCA-LW	APPLICATION	COST CERT
\$491,400	\$438,060	\$465,924	\$491,400
12,000	12,000	12,000	12,000
0	0	0	0
\$503,400	\$450,060	\$477,924	\$503,400
(37,755)	(33,755)	(35,844)	(25,176)
0	0	0	0
\$465,645	\$416,305	\$442,080	\$478,224
\$22,670	\$24,002	\$27,500	\$28,451
18,075	16,652	17,683	23,912
58,083	71,675	80,500	77,808
29,632	33,032	52,450	40,500
58,620	29,783	17,500	77,812
28,595	25,399	21,500	17,279
16,503	17,345	11,563	37,800
100	100	100	1
20,000	25,000	25,000	30,000
12,762	17,990	17,990	8,762
\$265,020	\$260,978	\$271,786	\$342,325
\$200,625	\$155,327	\$170,294	\$135,899
\$97,113	\$141,850	\$141,850	\$97,113
0	34,374	0	0
0	0	0	0
\$103,512	(\$20,897)	\$28,444	\$38,786
2.07	0.88	1.20	1.40

Comptroller's Region 11

IREM Region

Per Unit Per Month

\$10.00

Per Unit Per Month

\$0.00

Per Unit Per Month

\$0.00

% of Potential Gross Income

-5.00%

PER SQ FT

PER UNIT

% OF EGI

\$0.60

\$285

5.05%

0.51

239

5.00%

1.65

778

16.27%

0.86

405

8.47%

1.65

778

16.27%

0.37

173

3.61%

0.80

378

7.90%

0.00

0

0.00%

0.84

300

6.27%

0.19

88

1.83%

\$2.28

\$3,423

71.58%

\$2.88

\$1,359

28.42%

\$2.06

\$971

20.31%

\$0.00

\$0

0.00%

\$0.00

\$0

0.00%

\$0.82

\$388

8.11%

Description	UNDERWRITER			APPLICANT		PER SQ FT	PER UNIT	% of TOTAL
	New Constr	Rehab PCA	Original	APPLICATION	COST CERT			
Acquisition Cost (site or bldg)	\$600,000	\$710,000	\$710,000	\$710,000	\$10,000	\$0.21	\$100	0.18%
Off-Sites	0	0	0	0	0	0.00	0	0.00%
Sitework	97,500	540,000	540,000	540,000	130,735	2.77	1,307	2.41%
Direct Construction	2,770,372	2,998,045	2,266,306	2,081,375	3,291,819	60.81	32,918	60.76%
Contingency			140,315	160,883				
General Req'ts	174,066	177,117	160,883	160,883	177,117	3.76	1,771	3.27%
Contractor's G & A	58,022	59,039	53,628	53,628	59,039	1.25	590	1.09%
Contractor's Profit	174,066	177,117	160,883	160,883	177,117	3.76	1,771	3.27%
Indirect Construction	291,608	291,608	512,000	512,000	291,608	6.18	2,916	5.36%
Ineligible Costs	629,058	629,058	145,521	145,521	629,058	13.34	6,291	11.61%
Developer's G & A	72,725	0	115,395	115,395	0	0.00	0	0.00%
Developer's Profit	472,712	570,064	461,579	461,579	608,652	12.91	6,087	11.24%
Interim Financing	37,376	37,376	176,842	176,842	37,376	0.79	374	0.69%
Reserves	51,883	51,883	94,390	0	3,764	0.08	38	0.07%
TOTAL COST	\$5,462,623	\$5,688,806	\$5,537,742	\$5,278,989	\$5,416,285	\$114.87	\$54,163	100.00%
Construction Cost Recap	\$3,307,262	\$3,808,818	\$3,322,015	\$3,157,652	\$3,835,827	\$81.35	\$38,358	78.82%

Description	RECOMMENDED					Developer Fee Available
	\$1,200,000	\$1,200,000	\$1,650,000	\$1,650,000	\$1,200,000	
AMAC	\$1,200,000	\$1,200,000	\$1,650,000	\$1,650,000	\$1,200,000	Developer Fee Available
Edinburg Housing Authority	590,000	590,000	600,000	600,000	1,560,000	\$608,652
HTC Syndication Proceeds	3,585,751	3,585,751	2,999,297	2,999,297	3,585,751	% of Dev. Fee Deferred
Deferred Developer Fees	280,804	280,804	29,690	2,990	280,804	89%
Additional (Excess) Funds Req'd	(193,932)	32,251	258,755	26,702	(1,210,270)	16-Yr Cumulative Cash Flow
TOTAL SOURCES	\$5,462,623	\$5,688,806	\$5,537,742	\$5,278,989	\$5,416,285	\$1,905,010

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$58.23	\$3,366,375
Adjustments				
Exterior Wall Finish	1.20%		\$0.70	\$40,396
Elderly/9-Ft. Ceilings	3.00%		1.75	100,991
Roofing			0.00	0
Subfloor			(0.62)	(35,701)
Floor Cover			2.43	140,493
Porches/Balconies	\$30.98	3,704	1.98	114,755
Plumbing	\$805	100	1.39	80,500
Built-In Appliances	\$1,850	100	3.20	185,000
Stairs Interior	\$5,400	2	0.19	10,800
Floor Insulation			0.00	0
Heating/Cooling			1.90	109,850
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$70.97	2,000	2.45	141,930
Other: Elevator	\$62,000	1	1.07	62,000
SUBTOTAL			74.67	4,317,390
Current Cost Multiplier	0.88		(1.49)	(86,348)
Local Multiplier	0.81		(14.19)	(820,304)
TOTAL DIRECT CONSTRUCTION COSTS			\$58.99	\$3,410,738
Plans, specs, survy, bld prml	3.90%		(\$2.30)	(\$133,019)
Interim Construction Interest	-3.38%		(1.99)	(115,112)
Contractor's OH & Profit	11.60%		(6.78)	(392,235)
NET DIRECT CONSTRUCTION COSTS			\$47.92	\$2,770,372

PAYMENT COMPUTATION

Primary	\$1,200,000	Amort	360
Int Rate	7.135%	DCR	2.07

Secondary	\$1,560,000	Amort	
Int Rate	4.77%	Subtotal DCR	2.07

Additional	\$3,585,751	Amort	
Int Rate		Aggregate DCR	2.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$97,113
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$103,512

Primary	\$1,200,000	Amort	360
Int Rate	7.14%	DCR	2.07

Secondary	\$900,000	Amort	0
Int Rate	4.77%	Subtotal DCR	2.07

Additional	\$3,585,751	Amort	0
Int Rate	0.00%	Aggregate DCR	2.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 20	YEAR 30
INCOME at 3.00%								
POTENTIAL GROSS RENT	\$491,400	\$506,142	\$521,326	\$536,966	\$553,075	\$641,166	\$861,673	\$1,168,016
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	21,042	28,279
Other Support Income: (descr)	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	503,400	518,502	534,057	550,079	566,581	656,823	882,715	1,196,295
Vacancy & Collection Loss	(37,755)	(38,888)	(40,054)	(41,256)	(42,494)	(49,262)	(68,204)	(88,972)
Employee or Other Non-Rents	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$465,645	\$479,614	\$494,003	\$508,823	\$524,088	\$607,561	\$816,511	\$1,097,323
EXPENSES at 4.00%								
General & Administrative	\$22,670	\$23,577	\$24,520	\$25,501	\$26,521	\$32,267	\$47,763	\$70,701
Management	16,075	16,617	17,176	17,751	18,344	23,584	31,695	42,595
Payroll & Payroll Tax	58,063	60,385	62,801	65,313	67,925	82,641	122,329	161,077
Repairs & Maintenance	29,632	30,617	32,049	33,331	34,685	42,175	62,429	92,410
Utilities	58,820	60,965	63,403	65,940	68,577	83,435	123,503	182,615
Water, Sewer & Trash	26,595	27,739	28,926	30,165	31,452	40,700	60,245	89,178
Insurance	16,503	17,163	17,850	18,564	19,306	23,488	34,770	51,468
Property Tax	100	104	108	112	117	142	211	312
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	42,137	62,373
Other	12,762	13,272	13,803	14,355	14,930	18,164	28,888	39,600
TOTAL EXPENSES	\$265,020	\$275,440	\$286,271	\$297,531	\$309,234	\$375,063	\$551,970	\$812,730
NET OPERATING INCOME	\$200,625	\$204,174	\$207,731	\$211,292	\$214,853	\$232,498	\$264,541	\$284,593
DEBT SERVICE								
First Lien Financing	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113	\$97,113
Second Lien	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0
NET CASH FLOW	\$103,512	\$107,062	\$110,619	\$114,180	\$117,741	\$135,385	\$167,428	\$187,480
DEBT COVERAGE RATIO	2.07	2.10	2.14	2.18	2.21	2.39	2.72	2.93

COST CERTIFICATION ANALYSIS -Date: 8/21/07

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$10,000	\$600,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$130,735	\$130,735	\$130,735	\$130,735
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$3,291,819	\$2,770,372	\$3,291,819	\$2,770,372
(4) Contractor Fees & General Requirements				
Contractor overhead	\$59,039	\$58,022	\$59,039	\$58,022
Contractor profit	\$177,117	\$174,066	\$177,117	\$174,066
General requirements	\$177,117	\$174,066	\$177,117	\$174,066
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$291,608	\$291,608	\$291,608	\$291,608
(7) Eligible Financing Fees				
	\$37,376	\$37,376	\$37,376	\$37,376
(8) All Ineligible Costs				
	\$629,058	\$629,058		
(9) Developer Fees				
Developer overhead		\$72,725		\$72,725
Developer fee	\$608,652	\$472,712	\$608,652	\$472,712
(10) Development Reserves				
	\$3,764	\$51,883	\$624,722	\$545,437
TOTAL DEVELOPMENT COSTS	\$5,416,285	\$5,462,623	\$4,773,463	\$4,181,683

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			\$4,773,463	\$4,181,683
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$4,773,463	\$4,181,683
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$4,773,463	\$4,181,683
Applicable Percentage			8.12%	8.12%
TOTAL AMOUNT OF TAX CREDITS			\$387,605	\$339,553

Syndication Proceeds	0.9075	\$3,517,676	\$3,081,579
Total Tax Credits (Eligible Basis Method)		\$387,605	\$339,553
Syndication Proceeds		\$3,517,676	\$3,081,579
Approved Tax Credits		\$357,369	
Syndication Proceeds		\$3,243,270	
Cost Certification Request		\$387,318	
Syndication Proceeds		\$3,515,069	
Gap of Syndication Proceeds Needed		\$3,626,285	
Total Tax Credits (Gap Method)		\$399,573	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

DATE: December 12, 2007

PROGRAM: 4% HTC

FILE NUMBER: 04427

DEVELOPMENT NAME

Rosemont at Hidden Creek Apartments

OWNER

Name: TX Old Manor Housing, L.P. Type: For Profit
 Address: 5910 North Central Expressway, Suite 1145 City: Dallas State: TX
 Zip: 75206 Contact: Sara Reidy Phone: (214) 891-7824 Fax: (214) 891-9124

PRINCIPALS of the OWNER/ KEY PARTICIPANTS

Name:	TX Old Manor Development, L.L.C.	(%):	0.01	Title:	Managing General Partner
Name:	TX Old Manor Housing SLP, L.L.C.	(%):	0.01	Title:	Special Limited Partner
Name:	Housing Services Incorporated (non-profit)	(%):	N/A	Title:	100% owner of MGP
Name:	Brian Potashnik	(%):	N/A	Title:	100% owner of TX Old Manor Housing SLP, LLC

PROPERTY LOCATION

Location: 9371 U.S. Highway 290 East QCT DDA
 City: Austin County: Travis Zip: 78724

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$870,032	N/A	N/A	N/A
Comments:	The original allocation was \$906,289; the revised request is based on the CPAs certification of actual costs.		
Proposed Use of Funds:	New construction	Property Type:	Multifamily

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$870,032 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

ADDENDUM

On August 21, 2007 the Owner submitted a letter to the Department requesting an amendment to change the unit mix from that proposed at application. This addendum reevaluates the transaction based upon the changes requested and described below and based upon the information submitted as part of the cost certification package.

At application, the owner proposed building 52 one-bedroom and one bath units at 750 square feet each, 112 two-bedroom and two-bath units at 950 square feet each, and 86 three-bedroom and two-bath at 1,100 square feet each. However, the owner explained that post application it was discovered that the development design

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

did not have the correct building types to arrive at the intended unit mix, and re-designing of the buildings would be required in order to accommodate the unit mix committed to in the application. The re-design process would have caused a 60 to 90-day delay in obtaining the building permits, and the development would not have been able to close within the 150 day timeframe. For that reason, the unit mix in the development, which is 100% complete, contains 64 one-bedroom and one bath units at 750 square feet each, 100 two-bedroom and two bath units at 950 square feet each, and 86 three-bedroom and two bath units at 1,100 square feet each. Overall, the number of one bedroom units increased by 12, while the number of two bedroom units decreased by 12 from what was submitted at application, which resulted in a decrease of 2,400 square feet or 1% in net rentable area.

In addition to the change in unit mix, the owner requested an amendment of the number of parking spaces provided at the development. At application it was estimated that 525 uncovered parking spaces would be provided at the development. However, only 388 spaces were provided at the property. The owner explained that the property is not located in the City of Austin and therefore, it is not required to maintain the City's parking ratio. The owner also explained that the number of parking spaces provided at the development is acceptable to Travis County. At the time of this request, the property is 100% complete and the cost certification documentation has been submitted and reviewed by TDHCA staff.

OPERATING PROFORMA ANALYSIS

Income: The Owner has indicated net rents equal to the current program gross 50% of AMI rent levels less the applicable utility allowances. The rent roll provided by the Owner indicates that the maximum 50% rent levels are being achieved, although the property is still in lease-up and remains unstabilized. The Underwriter has also utilized the gross rents less utility allowances to determine potential gross rent. The Owner's secondary income and vacancy and collection loss estimates are also in line with Department standards. Therefore, the Owner's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expenses: The Owner's total expense estimate of \$3,364 per unit is not within the Underwriter's estimate of \$3,684 per unit derived from the actual operations, TDHCA database, IREM data, and other sources. Moreover, the Owner's budget reflects several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly general and administrative (\$10K lower); repairs and maintenance (\$23K lower) and utilities (\$17K lower).

Both the Underwriter's and Owner's revised proformas reflect an overall reduction in expenses from the original underwriting. This is primarily the result of the Owner having secured a 50% property tax exemption. A 2006 tax statement and 2006 tax assessment were provided to document the 50% tax exemption.

Conclusion: The Owner's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's Year One proforma yields a DCR within the Department's guideline based upon the commitment's provided in the Cost Certification package. The terms of the permanent debt are currently unclear; however, the effects are discussed in detail in the financing and conclusions sections below.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The actual acquisition cost of \$1,174,630 is slightly less than originally anticipated at application. The transaction is arms-length and therefore is assumed to be reasonable.

Offsite Costs: The Owner has indicated offsite costs of \$368,250 for offsite water and sewer. These costs have been documented in the Contractor's Application for Final Payment and by the Owner's CPA. Therefore, no further support is necessary.

Sitework Cost: The Owner has indicated eligible sitework costs amounting to \$16,269 per unit, which is 141% higher than original anticipated (\$6,746 per unit). This is a substantial increase in sitework costs and is well above the average per unit sitework costs for recently cost certified transactions. However, as noted

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

in the original underwriting report, the site has significant topographical challenges that were not originally taken into account. The Contractor's Application for Final Payment includes substantial costs for retaining walls (\$300K), water line encasement (\$413K), soil import/export (\$100K), rough grading (\$600K), and onsite storm sewer system (\$591K). Moreover, the final siteplan indicates construction of both a detention and water quality pond with extensive retaining walls. The Underwriter has assumed the Owner's actual incurred and CPA certified eligible sitework costs.

Direct Construction Cost: The Owner's direct construction costs of \$37K are 12% less than originally anticipated at application. Moreover, the actual direct construction costs are 24% lower than the Underwriter's re-costing at today's costs using Marshall and Swift's *Residential Cost Handbook*. The Underwriter's revised costing takes into account the Owner's actual unit mix. It is unclear how the Owner was able to achieve the substantial cost savings on the direct construction. However, it is possible that some of the costs associated with direct costs were allocated to sitework line items.

Also of note, while the Owner's direct and sitework costs vary significantly from application, the total hard construction costs are just 3.7% higher than originally anticipated.

Conclusion: The Owner's total development cost estimate is not within 5% of the Underwriter's estimate. However, as discussed above, the Underwriter's estimate of direct construction estimate is based on what the construction would cost if constructed today. The development has been completed and the Contractor's Application for Final Payment, verifying the actual costs incurred, is dated April 30, 2006. Therefore, for the purpose of determining eligible basis and the gap in financing, the Owner's actual costs, as certified by an independent CPA, will be utilized. An eligible basis of \$19,353,667 results in a credit allocation of \$870,032 using the actual applicable percentages for the place in services dates of each building. The resulting syndication proceeds will be used to compare to the Owner's request and to the gap of need using the Owner's costs to determine the recommended credit amount.

FINANCING STRUCTURE

Senior and Subordinate Bond Financing: The Owner is utilizing bond proceeds totaling \$13,400,000. However, the Owner has provided commitment's from CMAC Capital Corp indicating that the bonds will be split into senior bonds and subordinate bonds at conversion to permanent. The structure in detail is as follows:

The senior bonds will be carry a variable interest rate based upon the BMA index rate plus a stack of 1.435% (including a rate cap impound of 12bp) and will be credit enhanced through Fannie Mae. The underwriting rate indicated in the commitment is 5.935% (base rate of 2.5% plus a stack of 143.5bp plus an underwriting spread of 200bp), which supports \$12,400,000 in bonds at the lender's 1.20 DCR minimum and 40 year amortization. The commitment indicates a 6% strike rate on an interest rate cap that will be required per Fannie Mae DUS guidelines. While the term of the cap is unclear, the ongoing impound suggests that funds will be available for future rate cap purchases. The Fannie Mae forward commitment provided is dated July 27, 2004 and the Owner has indicated that nothing has changed and that the underwriting will not be updated until the property is ready to convert to permanent.

GMAC has also provided a commitment indicating that, at conversion to permanent, the difference between the total construction bonds (\$13,400,000) and the permanent senior bond loan (resized at conversion) will be purchased by GMAC. Based on the debt sizing at the time of the 2004 commitments, this difference was \$1,000,000. The GMAC permanent phase subordinate bonds ("sub bonds") will carry an interest rate of 10% and will be payable from 75% of cashflow after debt service on the senior bond loan. The sub bonds will be amortized over the same period as the senior bonds (40 years). The commitment indicates a maximum sub bond loan of \$1,000,000 and an underwriting DCR of 1.10 based on the combined senior and sub bond debt service. The Underwriter has treated this funding as a cashflow loan and has not included the debt service in the DCR calculation. However, the DCR would be above 1.10 if included.

As indicated above, the commitments indicate a senior bond loan of \$12,400,000 and a sub bond loan of \$1,000,000. However, since the date of the commitment, the BMA index rate has increased from the originally underwritten 2.5% to 3.65%. If the underwriting rate at conversion uses the current BMA index then the underwriting rate will increase to 7.085%, which could have a significant impact on the senior bond

TEXAS DEPARTMENT OF HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

amount. This is discussed in the conclusions section; however, the Underwriter has assumed the 5.935% underwriting rate and debt sizing documented in the 2004 commitment provided.



HTC Syndication: The Limited Partnership Agreement is consistent with the Owner's sources of funds.

Deferred Developer's Fees: The Owner's proposed deferred developer's fees of \$2,108,162 amount to 84% of the total fees.

Financing Conclusions: The Owner's total development cost less the senior bond amount of \$12,400,000 and subordinate bond amount of \$1,000,000 result in a gap in funding of \$10,331,900. A tax credit allocation of \$1,271,594 annually for 10 years would be needed to fill this gap. Of the three possible tax credit allocations, the Owner's cost certification request (\$870,032), the eligible basis derived estimate (\$870,032), and the gap-based amount (\$1,271,594), the Owner's request at cost certification of \$870,032 is recommended resulting in proceeds of \$7,069,144.

The recommended financing structure reflects the need for 2,108,162 in additional permanent funds. Deferred developer fees in this amount could be repaid within 15 years of stabilized operation.

As indicated above, the underwriting rate for the senior bond sizing may adjust to current levels at the time of conversion to permanent. The BMA index rate (base rate) has increased considerably since originally underwritten in 2004 and would result in an underwriting rate of approximately 7.085% today. Based on the Underwriter's analysis, if the senior bond loan was resized based on this underwriting rate, the senior bond loan could decrease to \$11,540,000 based on the lender's required DCR of 1.20. This would increase the gap in funding by \$860,000. However, only \$416K of this amount could be deferred from the remaining developer fee available. As such, the related party contractor could defer a portion of the contractor's fee if it has not already been fully paid or the developer may be required to make a short-term loan to the partnership to fill the gap in financing. The 15 year cashflow would be estimated at more than \$5M, which appears to suggest that a short-term loan could easily be repaid. However, it is currently unclear when the property will reach stabilized occupancy and the BMA could change significantly before this time.

Underwriter:		Date: December 12, 2007
Manager of Real Estate Analysis:	 Raquel Morales	Date: December 12, 2007

COST CERTIFICATION COMPARATIVE ANALYSIS

Rosemont at Hidden Creek, Austin, HTC#04427
Date: 9/19/07

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wir, Swr, Trsh
TC50%	84	1	1	750	\$666	\$596	\$605	\$586	\$38,144	\$0.79	\$70.00	\$48.00
TC50%	100	2	2	950	800	\$712	\$724	\$732	71,200	0.75	88.00	55.00
TC50%	86	3	2	1,100	924	\$817	\$833	\$817	70,262	0.74	107.00	82.00
							\$0	\$0				
							\$0	\$0				
							\$0	\$0				
							\$0	\$0				
TOTAL:	250		AVERAGE:	950	\$808	\$718			\$179,806	\$0.76	\$89.93	\$62.50

INCOME Total Net Rentable Sq Ft: **237,600**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

General & Administrative 4.05% \$329 0.35

Management 3.44% 280 0.29

Payroll & Payroll Tax 12.22% 995 1.05

Repairs & Maintenance 4.48% 365 0.38

Utilities 2.37% 193 0.20

Water, Sewer, & Trash 5.16% 420 0.44

Property Insurance 3.33% 271 0.29

Property Tax 2.5254 4.27% 347 0.37

Reserve for Replacements 2.46% 200 0.21

Other: Cable TV, supportive serv 3.47% 283 0.30

TOTAL EXPENSES 45.25% \$3,684 \$3.88

NET OPERATING INC 54.75% \$4,457 \$4.69

DEBT SERVICE

GMAC Senior Bonds 43.53% \$3,544 \$3.73

GMAC Subordinate Bonds 5.01% \$408 \$0.43

Additional Financing 0.00% \$0 \$0.00

NET CASH FLOW 6.21% \$506 \$0.53

AGGREGATE DEBT COVERAGE RATIO 1.13

RECOMMENDED DEBT COVERAGE RATIO 1.26

CONSTRUCTION COST

Description Factor % of TOTAL PER UNIT PER SQ FT

Acquisition Cost (site or bldg) 4.49% \$4,899 \$4.94

Off-Sites 1.41% 1,473 1.55

Sitework 15.64% 16,269 17.12

Direct Construction 47.10% 49,298 51.87

Contingency

General Req'ts 4.85% 3.04% 3,179 3.34

Contractor's G & A 1.62% 1.01% 1,080 1.11

Contractor's Profit 4.85% 3.04% 3,179 3.34

Indirect Construction 3.78% 3,952 4.16

Ineligible Costs 7.55% 7,901 8.31

Developer's G & A 0.00% 0.00% 0 0.00

Developer's Profit 12.72% 9.65% 10,098 10.62

Interim Financing 2.31% 2,419 2.54

Reserves 1.09% 1,145 1.21

TOTAL COST 100.00% \$104,670 \$110.13

Construction Cost Recap 69.73% \$72,984 \$76.79

SOURCES OF FUNDS

GMAC Senior Bonds 47.39% \$49,600 \$52.19

GMAC Subordinate Bonds 3.82% \$4,000 \$4.21

HTC Syndication Proceeds 28.14% \$29,465 \$30.99

Deferred Developer Fees 8.08% \$8,433 \$8.87

Additional (Excess) Funds Req'd 12.58% \$13,183 \$13.87

TOTAL SOURCES

	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT		Comptroller's Region	7
	\$2,155,272	\$2,210,232	\$2,208,888	\$2,155,272		IREM Region	Austin
	45,000	44,976	44,976	45,000	\$15.00	Per Unit Per Month	
	0	0	0	0	\$0.00	Per Unit Per Month	
	\$2,200,272	\$2,255,208	\$2,253,864	\$2,200,272			
	(165,020)	(169,141)	(169,044)	(165,024)	-7.50%	of Potential Gross Income	
	0	0	0	0			
	\$2,035,252	\$2,086,067	\$2,084,820	\$2,035,248			
	\$82,341	\$109,201	\$87,150	\$72,696	PER SQ FT	PER UNIT	% OF EGI
	70,022	104,303	104,241	71,250	0.30	265	3.50%
	248,721	238,267	211,255	208,778	0.88	835	10.26%
	91,197	81,078	89,150	67,995	0.29	272	3.34%
	48,261	41,800	35,000	31,728	0.13	127	1.56%
	105,087	110,650	105,500	105,108	0.44	420	5.16%
	67,867	60,000	62,500	58,950	0.25	236	2.90%
	86,828	199,728	200,000	103,750	0.44	415	5.10%
	50,000	50,000	50,000	50,000	0.21	200	2.46%
	70,658	35,000	35,000	70,658	0.30	283	3.47%
	\$920,981	\$1,030,027	\$979,796	\$840,913	\$3.54	\$3,384	41.32%
	\$1,114,271	\$1,056,040	\$1,105,024	\$1,194,335	\$5.03	\$4,777	58.68%
	\$885,922	\$983,268	\$1,013,643	\$885,918	\$3.73	\$3,544	43.53%
	101,898	0	0	101,898	\$0.43	\$408	5.01%
	0	0	0	0	\$0.00	\$0	0.00%
	\$126,451	\$72,772	\$91,381	\$206,519	\$0.87	\$826	10.15%
	1.13	1.07	1.09	1.21			
	1.26						

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-CC	COST CERT	COST CERT	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.49%	\$4,899	\$4.94	\$1,174,630	\$1,196,000	\$1,196,000	\$1,174,630	\$4.94	\$4,899	5.14%
Off-Sites		1.41%	1,473	1.55	368,250	0	0	368,250	1.55	1,473	1.61%
Sitework		15.64%	16,269	17.12	4,067,290	1,686,374	1,686,374	4,067,290	17.12	16,269	17.78%
Direct Construction		47.10%	49,298	51.87	12,324,492	10,172,097	10,630,997	9,315,183	39.21	37,261	40.73%
Contingency						592,924	625,238				
General Req'ts	4.85%	3.04%	3,179	3.34	794,670	711,508	750,285	794,670	3.34	3,179	3.47%
Contractor's G & A	1.62%	1.01%	1,080	1.11	264,890	237,169	250,095	264,890	1.11	1,080	1.16%
Contractor's Profit	4.85%	3.04%	3,179	3.34	794,670	711,508	750,285	794,670	3.34	3,179	3.47%
Indirect Construction		3.78%	3,952	4.16	987,918	1,372,400	1,372,400	987,918	4.16	3,952	4.32%
Ineligible Costs		7.55%	7,901	8.31	1,975,353	1,529,192	1,529,192	1,975,353	8.31	7,901	8.64%
Developer's G & A	0.00%	0.00%	0	0.00	0	330,607	0	0	0.00	0	0.00%
Developer's Profit	12.72%	9.65%	10,098	10.62	2,524,391	2,148,945	2,593,391	2,524,391	10.62	10,098	11.04%
Interim Financing		2.31%	2,419	2.54	604,655	1,046,362	1,046,362	604,655	2.54	2,419	2.64%
Reserves		1.09%	1,145	1.21	286,353	455,998	299,226	0	0.00	0	0.00%
TOTAL COST		100.00%	\$104,670	\$110.13	\$26,167,562	\$22,191,084	\$22,729,845	\$22,871,900	\$88.26	\$91,488	100.00%
Construction Cost Recap		69.73%	\$72,984	\$76.79	\$18,248,012	\$14,111,580	\$14,693,274	\$15,238,703	\$64.13	\$60,947	66.62%

					RECOMMENDED	
GMAC Senior Bonds	47.39%	\$49,600	\$52.19	\$12,400,000	\$13,572,000	\$13,572,000
GMAC Subordinate Bonds	3.82%	\$4,000	\$4.21	1,000,000	116,001	116,001
HTC Syndication Proceeds	28.14%	\$29,465	\$30.99	7,363,738	7,524,196	7,524,196
Deferred Developer Fees	8.08%	\$8,433	\$8.87	2,108,162	1,517,652	1,517,652
Additional (Excess) Funds Req'd	12.58%	\$13,183	\$13.87	3,295,662	(538,765)	(4)
TOTAL SOURCES				\$26,167,562	\$22,191,084	\$22,729,845
						\$22,871,900
						\$2,400,000
						1,000,000
						7,363,738
						2,108,162
						0
						\$4,560,755
						Developer Fee Available
						\$2,524,391
						% of Dev. Fee Deferred
						84%
						15-Yr Cumulative Cash Flow

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/8Q FT	PER SF	AMOUNT
Base Cost			\$64.16	\$12,886,485
Adjustments				
Exterior Wall Finish	0.80%		\$0.49	\$116,798
9-Ft. Ceilings	3.00%		1.62	386,996
Roofing			0.00	0
Subfloor			(0.87)	(206,209)
Floor Cover			2.43	577,368
Porches/Balconies	\$22.27	76,029	7.13	1,893,166
Plumbing	\$805	558	1.89	449,190
Built-In Appliances	\$1,850	250	1.95	462,500
Stairs/Fireplaces	\$1,825	84	0.85	153,300
Enclosed Corridors	\$44.23		0.00	0
Heating/Cooling			1.90	451,440
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$80.38	7,263	1.85	438,558
Other: Fire Sprinklers	\$1.95	237,800	1.95	483,320
SUBTOTAL			75.13	17,850,911
Current Cost Multiplier	0.98		(1.50)	(357,018)
Local Multiplier	0.87		(9.77)	(2,320,618)
TOTAL DIRECT CONSTRUCTION COSTS			\$63.86	\$15,173,274
Plans, specs, survy, bld pmt	3.90%		(\$2.49)	(\$691,758)
Interim Construction Interest	3.38%		(2.16)	(512,098)
Contractor's OH & Profit	11.50%		(7.34)	(1,744,927)
NET DIRECT CONSTRUCTION COSTS			\$51.87	\$12,324,492

PAYMENT COMPUTATION

Primary	\$12,400,000	Amort	360
Int Rate	5.935%	DCR	1.26

Secondary	\$1,000,000	Amort	480
Int Rate	10.00%	Subtotal DCR	1.13

Additional	\$7,363,738	Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$885,922
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$228,348

Primary	\$12,400,000	Amort	360
Int Rate	5.935%	DCR	1.26

Secondary	\$1,000,000	Amort	
Int Rate	10.00%	Subtotal DCR	1.26

Additional	\$7,363,738	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,155,272	\$2,219,930	\$2,286,528	\$2,355,124	\$2,426,778	\$2,812,141	\$3,260,042	\$3,779,282	\$5,079,040
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,087	78,908	106,045
Other Support Income: (descri	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,200,272	2,266,280	2,334,269	2,404,297	2,476,426	2,870,856	3,328,109	3,858,190	5,185,085
Vacancy & Collection Loss	(165,020)	(169,971)	(175,070)	(180,322)	(185,732)	(215,314)	(249,608)	(289,364)	(388,881)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,035,252	\$2,096,309	\$2,159,198	\$2,223,974	\$2,290,694	\$2,655,542	\$3,078,501	\$3,568,826	\$4,796,204
EXPENSES at 4.00%									
General & Administrative	\$82,341	\$85,634	\$89,059	\$92,622	\$96,327	\$117,108	\$142,587	\$173,479	\$256,701
Management	70,022	72,123	74,288	76,515	78,810	91,383	105,915	122,784	165,012
Payroll & Payroll Tax	248,721	258,870	268,016	278,777	290,068	354,007	430,704	524,017	775,873
Repairs & Maintenance	91,197	94,845	98,639	102,584	106,688	128,802	157,824	192,138	284,412
Utilities	48,281	50,191	52,199	54,287	56,459	68,690	83,572	101,679	150,509
Water, Sewer & Trash	105,087	109,290	113,682	118,209	122,937	148,572	181,977	221,402	327,730
Insurance	87,887	70,582	73,405	76,341	79,395	98,588	117,524	142,985	211,653
Property Tax	88,828	90,301	93,913	97,869	101,576	123,583	150,357	182,933	270,785
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	88,584	105,342	155,933
Other	70,658	73,484	76,424	79,481	82,660	100,568	122,357	148,888	220,358
TOTAL EXPENSES	\$920,981	\$957,120	\$994,684	\$1,033,728	\$1,074,312	\$1,302,543	\$1,579,500	\$1,915,826	\$2,818,856
NET OPERATING INCOME	\$1,114,271	\$1,139,189	\$1,164,515	\$1,190,246	\$1,216,382	\$1,352,999	\$1,499,001	\$1,653,000	\$1,977,348
DEBT SERVICE									
First Lien Financing	\$885,922	\$885,922	\$885,922	\$885,922	\$885,922	\$885,922	\$885,922	\$885,922	\$885,922
Second Lien	101,898	101,898	101,898	101,898	101,898	101,898	101,898	101,898	101,898
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$128,451	\$151,369	\$176,695	\$202,428	\$228,562	\$365,179	\$511,181	\$665,380	\$989,528
DEBT COVERAGE RATIO	1.13	1.15	1.18	1.20	1.23	1.37	1.52	1.67	2.00

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,174,630	\$1,174,630		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$4,067,290	\$4,067,290	\$4,067,290	\$4,067,290
Off-site improvements	\$368,250	\$368,250		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,315,183	\$12,324,492	\$9,315,183	\$12,324,492
(4) Contractor Fees & General Requirements				
Contractor overhead	\$264,890	\$264,890	\$264,890	\$264,890
Contractor profit	\$794,670	\$794,670	\$794,670	\$794,670
General requirements	\$794,670	\$794,670	\$794,670	\$794,670
(5) Contingencies				
(6) Eligible Indirect Fees	\$987,918	\$987,918	\$987,918	\$987,918
(7) Eligible Financing Fees	\$604,655	\$604,655	\$604,655	\$604,655
(8) All Ineligible Costs	\$1,975,353	\$1,975,353		
(9) Developer Fees				
Developer overhead				
Developer fee	\$2,524,391	\$2,524,391	\$2,524,391	\$2,524,391
(10) Development Reserves		\$286,353	\$2,524,391	\$2,975,788
TOTAL DEVELOPMENT COSTS	\$22,871,900	\$26,167,562	\$19,353,667	\$22,362,976

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$19,353,667	\$22,362,976
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$25,159,767	\$29,071,869
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$25,159,767	\$29,071,869
Applicable Percentage		3.46%	3.46%
TOTAL AMOUNT OF TAX CREDITS		\$870,032	\$1,005,314

Syndication Proceeds	0.812515434	\$7,069,147	\$8,168,332
Total Tax Credits (Eligible Basis Method)		\$870,032	\$1,005,314
Syndication Proceeds		\$7,069,147	\$8,168,332
Approved Tax Credits		\$906,289	
Syndication Proceeds		\$7,363,738	
Cost Certification Request		\$870,032	
Syndication Proceeds		\$7,069,144	
Gap of Syndication Proceeds Needed		\$9,471,900	\$12,767,562
Total Tax Credits (Gap Method)		\$1,165,750	\$1,571,362
Reconciled Tax Credits		\$870,032	
Syndication Proceeds		\$7,069,144	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 3rd ADDENDUM**

DATE: December 13, 2007 **PROGRAM:** 9% HTC **FILE NUMBER:** 05004

DEVELOPMENT NAME

Samuel's Place Apartments

APPLICANT

Name: Samuels Avenue LP **Type:** For-profit
Address: 1201 East 13th Street **City:** Fort Worth **State:** TX
Zip: 76102 **Contact:** Barbara Holston **Phone:** (817) 332-8614 **Fax:** (817) 332-4830

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: <u>Pioneers of Samuels, LLC</u>	(%): <u>1</u>	Title: <u>Managing General Partner</u>
Name: <u>Fort Worth Affordability, Inc.</u>	(%): <u>N/A</u>	Title: <u>Owner of GP</u>
Name: <u>Carleton Development, Ltd.</u>	(%): <u>N/A</u>	Title: <u>Developer</u>
Name: <u>CGB Southwest, Inc.</u>	(%): <u>N/A</u>	Title: <u>1% Special Limited Partner</u>
Name: <u>Printice L. Gary</u>	(%): <u>N/A</u>	Title: <u>50% Owner CGB Southwest</u>
Name: <u>R. David Kelly</u>	(%): <u>N/A</u>	Title: <u>25% Owner CGB Southwest</u>
Name: <u>Neal R. Hildebrandt</u>	(%): <u>N/A</u>	Title: <u>25% Owner CGB Southwest</u>

PROPERTY LOCATION

Location: SE corner Samuel's Avenue and Poindexter Street **QCT** **DDA**
City: Fort Worth **County:** Tarrant **Zip:** 76102

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$275,576	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Special Purpose (s): <u>General Population, Urban/Exurban</u>			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$275,576 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

ADDENDUM

This third addendum is a follow-up to the second addendum and original underwriting report based upon feedback from the TDHCA Board at the November 8, 2007 board meeting and additional information provided by the Applicant's syndicator, Apollo Housing Capital. The recommendations of the second addendum have not changed as a result of this addendum. The previous addendum contemplated the Applicant's amendment request regarding a decrease in the number of 30% restricted units at the development from twelve to four. The TDHCA staff recommended that the property would be able to support eight units restricted at 30% rents rather than the four proposed by the Applicant. At the November 8, 2007 Board meeting, the TDHCA Board tabled the Applicant's amendment item until the December 20, 2007 meeting and asked that staff contact the Applicant's syndicator, Apollo Housing Capital, in order to compare the underwriting assumptions used by Apollo and by the Department's Real Estate Analysis staff. As a result a conference call took place on November 27, 2007 between TDHCA staff and Mark Adams of Apollo Housing Capital. Prior to the call Mr. Adams provided staff with a copy of the underwriting assumptions used by the syndicator in order to evaluate the feasibility of the transaction.

Based on discussions with Mr. Adams and the information provided, it appears that both income and expense estimates used by Apollo were very close (within 5%) of the TDHCA Underwriter's estimates. Apollo's income estimates were slightly different for the smaller 60% one bedrooms units in that the net rent was discounted by 10%. Additionally, the income estimate for the 60% three-bedroom units were capped at \$20 less than the maximum tax credit net rent based on a market study prepared for Apollo indicating that the max tax credit rents could not be achieved in this market. The Underwriter utilized the maximum tax credit rent for these units as they are achievable according to the market study provided to the Department at application. The syndicator's secondary income estimate is consistent with the Underwriter's estimate. Vacancy and collection loss estimates are slightly lower (7%) than the Department standards. Overall, Apollo's estimate of effective gross income is within 5% of the Underwriter's estimate. It appears that the biggest differences in underwriting assumptions are related to the income and expense growth rates used by the syndicator (2% for income and 3% for expenses) versus the rates used by TDHCA (3% for income and 4% for expenses) and the amount of deferred developer fee required. Specifically, the Underwriter's analysis in the second addendum concluded that the development could support a total of eight units at 30% rents versus the requested four units. For this analysis, the Underwriter used Apollo's income and expense assumptions as well as adjusted the 30-year operating proforma to allow 2% growth for income and 3% growth for expenses, the same rates used by Apollo. Based on this analysis, this transaction would still meet the Department's financial feasibility test of having a debt coverage ratio that remains above a 1.15 and continued positive cash flow. If Samuel's Place was to keep eight 30% units as recommended, the permanent debt would have to be re-sized in order to meet the lender's 1.15 debt coverage ratio requirement. As a result deferred developer fee would be increased to 98% of the fee available and the 15-year cumulative cash flow would continue to be positive.

Mr. Adams indicated that this amount would be unacceptable to Apollo as it would indicate more risk to the syndicator. Specifically, the amount of deferred developer fee required to fund the gap would leave no reserve amount to cover any operational deficits that may occur with the property. The Underwriter asked what the reserve amount included in the construction budget would be used for and Mr. Adams indicated this reserve would be used for timing adjusters and lease-up adjusters rather than operations. Additionally, Mr. Adams further stated that with no amount of deferred developer fee left there would be no reason for the owner/general partner to fix any problems that arise throughout the life of the transaction. Based on discussions with Mr. Adams, this transaction would not be approved according to Apollo's underwriting standards due to the large amount of deferred fee required.

Nonetheless the Underwriter's analysis utilizing Apollo's income with eight 30% units and expenses and a growth factors would provide for a feasible development under existing TDHCA rules. The recommendation of the second addendum remains unchanged in that the development could support eight units at 30% rents and remain financially feasible.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's net operating expenses are more than 5% outside of the Underwriter's verifiable ranges.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.35) if the maximum tax credit rents can be achieved in this market.
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:

Raquel Morales

Date:

December 13, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Samuel's Place Apartments, Fort Worth, 9% HTC, 3rd Addendum

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Apollo's Rents	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	704	\$356	\$287	\$287	\$287	\$0.41	\$69.00	\$22.00
TC 60%	3	1	1	704	\$713	\$644	1,932	\$630	0.91	69.00	22.00
TC 30%	3	1	1	710	\$356	\$287	861	\$287	0.40	69.00	22.00
TC 60%	3	1	1	710	\$713	\$644	1,932	\$644	0.91	69.00	22.00
TC 60%	4	1	1	802	\$713	\$644	2,576	\$644	0.80	69.00	22.00
TC 30%	2	2	2	1,073	\$427	\$343	686	\$343	0.32	84.00	24.00
TC 60%	14	2	2	1,124	\$856	\$772	10,808	\$772	0.69	84.00	24.00
TC 60%	4	3	2	1,306	\$989	\$893	3,572	\$873	0.68	96.00	28.00
TC 30%	2	3	2	1,338	\$493	\$397	794	\$397	0.30	96.00	28.00
TOTAL:	36		AVERAGE:	1,002		\$651	\$23,448	\$23,326	\$0.65	\$80.17	\$23.89

INCOME

Total Net Rentable Sq Ft: **36,066**

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$10.00	
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-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum	Apollo's UW with 8 units @ 30%
	\$281,376	\$260,856	\$209,412	\$302,136	\$279,912
	4,320	4,320	4,320	4,320	\$4,320
	0	0	0	0	\$0.00
	\$285,696	\$265,176	\$213,732	\$306,456	\$284,232
	(21,427)	(19,888)	(16,032)	(22,980)	(19,896)
	0	0	0	0	
	\$264,269	\$245,288	\$197,700	\$283,476	\$264,336
	\$11,604	\$11,327	\$7,560	\$7,560	\$14,040
	9,772	14,717	11,862	11,862	\$17,072
	32,277	30,034	32,000	32,000	\$32,000
	26,293	22,002	20,052	20,052	\$20,052
	14,363	11,791	13,000	13,000	\$24,000
	10,320	16,423	11,000	11,000	\$0
	12,623	8,956	10,000	10,000	\$10,000
	0	0	0	0	\$0
	9,000	7,200	7,200	10,800	\$10,800
	1,440	1,440	1,440	1,440	
	0	0	0	0	
	\$127,691	\$123,891	\$114,114	\$117,714	\$127,964
	\$136,578	\$121,397	\$83,586	\$165,762	\$136,372
	\$133,401	\$66,939	\$66,939	\$132,606	\$132,606
	0	0	0	0	
	0	0	0	0	
	\$3,177	\$54,458	\$16,647	\$33,156	\$3,766
	1.02	1.81	1.25	1.25	1.03
		1.30			1.15

COUNTY: Tarrant IREM REGION: Fort Worth COMPT. REGION: 3

PER SQ FT: PER UNIT: % OF EGI:

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.39%	\$322	0.32
Management	3.70%	271	0.27
Payroll & Payroll Tax	12.21%	897	0.89
Repairs & Maintenance	9.95%	730	0.73
Utilities	5.43%	399	0.40
Water, Sewer, & Trash	3.91%	287	0.29
Property Insurance	4.78%	351	0.35
Property Tax	0.00%	0	0.00
Reserve for Replacements	3.41%	250	0.25
TDHCA Compliance Fees	0.54%	40	0.04
Other:	0.00%	0	0.00
TOTAL EXPENSES	48.32%	\$3,547	\$3.54
NET OPERATING INC	51.68%	\$3,794	\$3.79

AGGREGATE DEBT COVERAGE RATIO: 1.02
RECOMMENDED DEBT COVERAGE RATIO: 1.30

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.55%	\$4,444	\$4.44
Off-Sites		0.00%	0	0.00
Sitework		13.49%	16,906	16.88
Direct Construction		41.82%	52,411	52.31
Contingency	5.00%	2.77%	3,466	3.46
Contractor's Fees	14.00%	7.74%	9,704	9.69
Indirect Construction		9.25%	11,589	11.57
Ineligible Costs		0.55%	694	0.69
Developer's Fees	11.24%	9.42%	11,808	11.79
Interim Financing		8.75%	10,965	10.94
Reserves		2.67%	3,346	3.34
TOTAL COST	100.00%		\$125,334	\$125.10
Construction Cost Recap		65.81%	\$82,488	\$82.34

	TDHCA-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum
	\$160,000	\$160,000	\$160,000	\$160,000
	0	0	0	0
	608,630	237,065	237,065	608,630
	1,886,791	1,829,682	1,591,339	2,066,491
	124,771	50,000	50,000	128,324
	349,359	240,000	240,000	359,308
	417,189	324,000	324,000	417,189
	25,000	74,922	74,922	25,000
	425,098	425,098	425,098	425,098
	394,737	158,371	158,371	394,737
	120,440	41,868	0	130,000
	\$4,512,015	\$3,541,007	\$3,260,795	\$4,714,777
	\$2,969,552	\$2,356,747	\$2,118,404	\$3,162,753

	PER SQ FT	PER UNIT	% of TOTAL
	\$4.44	\$4,444	3.39%
	0.00	0	0.00%
	16.88	16,906	12.91%
	57.30	57,403	43.83%
	3.56	3,565	2.72%
	9.96	9,981	7.62%
	11.57	11,589	8.85%
	0.69	694	0.53%
	11.79	11,808	9.02%
	10.94	10,965	8.37%
	3.60	3,611	2.76%
	\$130.73	\$130,966	100.00%
	\$87.69	\$87,854	67.08%

SOURCES OF FUNDS

Bank of America	37.68%	\$47,222	\$47.14
City of Fort Worth HOME Funds	2.80%	\$3,514	\$3.51
HTC Syndication Proceeds	58.93%	\$73,862	\$73.73
Deferred Developer Fees	5.08%	\$6,368	\$6.36
Additional (Excess) Funds Req'd	-4.49%	(\$5,632)	(\$5.62)
TOTAL SOURCES			

	TDHCA-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum
	\$1,700,000	\$805,667	\$805,667	\$1,700,000
	126,500	126,500	126,500	126,500
	2,659,039	2,602,807	2,602,807	2,659,039
	229,238	1,910	1,910	229,238
	(202,762)	4,123	(276,089)	0
	\$4,512,015	\$3,541,007	\$3,260,795	\$4,714,777

RECOMMENDED	
\$1,510,978	Developer Fee Available
126,500	\$425,098
2,659,308	% of Dev. Fee Deferred
417,990	98%
0	15-Yr Cumulative Cash Flow
\$4,714,777	\$421,784

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Samuel's Place Apartments, Fort Worth, 9% HTC, 3rd Addendum

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.31	\$2,175,300
Adjustments				
Exterior Wall Finish	0.70%		\$0.42	\$15,227
Elderly			0.00	0
9-Ft. Ceilings	3.10%		1.87	67,434
Roofing			0.00	0
Subfloor			(1.24)	(44,542)
Floor Cover			3.08	111,083
Breezeways/Balconies	\$21.66	1,986	1.19	43,007
Plumbing Fixtures	\$965	12	0.32	11,580
Rough-ins	\$400		0.00	0
Built-In Appliances	\$2,425	36	2.42	87,300
Exterior Stairs	\$2,100	34	1.98	71,400
Enclosed Corridors	\$50.39		0.00	0
Heating/Cooling			1.90	68,525
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$83.42	400	0.93	33,366
Other: fire sprinkler			0.00	0
SUBTOTAL			73.19	2,639,681
Current Cost Multiplier	0.98		(1.46)	(52,794)
Local Multiplier	0.90		(7.32)	(263,968)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.41	\$2,322,920
Plans, specs, survy, bld prm	3.90%		(\$2.51)	(\$90,594)
Interim Construction Interest	3.38%		(2.17)	(78,399)
Contractor's OH & Profit	11.50%		(7.41)	(267,136)
NET DIRECT CONSTRUCTION COSTS			\$52.31	\$1,886,791

PAYMENT COMPUTATION

Primary	\$1,700,000	Amort	360
Int Rate	6.83%	DCR	1.02
Secondary	\$126,500	Amort	0
Int Rate	2.75%	Subtotal DCR	1.02
Additional	\$2,659,039	Amort	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$118,568
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$17,804

Primary	\$1,510,978	Amort	360
Int Rate	6.83%	DCR	1.15
Secondary	\$126,500	Amort	0
Int Rate	2.75%	Subtotal DCR	1.15
Additional	\$2,659,039	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 2.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$281,376	\$287,004	\$292,744	\$298,598	\$304,570	\$336,270	\$371,270	\$409,912	\$499,680
Secondary Income	4,320	4,406	4,495	4,584	4,676	5,163	5,700	6,293	7,672
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	285,696	291,410	297,238	303,183	309,247	341,433	376,970	416,205	507,352
Vacancy & Collection Loss	(21,427)	(21,856)	(22,293)	(22,739)	(23,193)	(25,607)	(28,273)	(31,215)	(38,051)
Employee or Other Non-Rent:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$264,269	\$269,554	\$274,945	\$280,444	\$286,053	\$315,826	\$348,697	\$384,990	\$469,300
EXPENSES at 3.00%									
General & Administrative	\$11,604	\$11,952	\$12,311	\$12,680	\$13,060	\$15,140	\$17,552	\$20,348	\$27,345
Management	9,772	9,967	10,167	10,370	10,577	11,678	12,894	14,236	17,353
Payroll & Payroll Tax	32,277	33,245	34,242	35,270	36,328	42,114	48,822	56,598	76,062
Repairs & Maintenance	26,293	27,081	27,894	28,731	29,593	34,306	39,770	46,104	61,960
Utilities	14,363	14,793	15,237	15,694	16,165	18,740	21,725	25,185	33,846
Water, Sewer & Trash	10,320	10,630	10,948	11,277	11,615	13,465	15,610	18,096	24,320
Insurance	12,623	13,002	13,392	13,794	14,207	16,470	19,094	22,135	29,747
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	9,000	9,270	9,548	9,835	10,130	11,743	13,613	15,782	21,209
Other	1,440	1,483	1,528	1,574	1,621	1,879	2,178	2,525	3,393
TOTAL EXPENSES	\$127,691	\$131,424	\$135,267	\$139,223	\$143,296	\$165,536	\$191,257	\$221,008	\$295,237
NET OPERATING INCOME	\$136,578	\$138,130	\$139,678	\$141,221	\$142,757	\$150,290	\$157,440	\$163,982	\$174,063
DEBT SERVICE									
First Lien Financing	\$118,568	\$118,568	\$118,568	\$118,568	\$118,568	\$118,568	\$118,568	\$118,568	\$118,568
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	\$18,010	\$19,562	\$21,110	\$22,653	\$24,189	\$31,722	\$38,872	\$45,414	\$55,495
DEBT COVERAGE RATIO	1.15	1.16	1.18	1.19	1.20	1.27	1.33	1.38	1.47
Cumulative Cash Flow	18,010	37,572	58,682	81,335	105,524	245,300	421,784	632,500	1,137,045

Samuel's Place Apartments, Fort Worth, 9% HTC, 3rd Addendum

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$160,000	\$160,000				
Purchase of buildings						
Off-Site Improvements						
Sitework	\$608,630	\$608,630			\$608,630	\$608,630
Construction Hard Costs	\$2,066,491	\$1,886,791			\$2,066,491	\$1,886,791
Contractor Fees	\$359,308	\$349,359			\$359,308	\$349,359
Contingencies	\$128,324	\$124,771			\$128,324	\$124,771
Eligible Indirect Fees	\$417,189	\$417,189			\$417,189	\$417,189
Eligible Financing Fees	\$394,737	\$394,737			\$394,737	\$394,737
All Ineligible Costs	\$25,000	\$25,000				
Developer Fees						
Developer Fees	\$425,098	\$425,098			\$425,098	\$425,098
Development Reserves	\$130,000	\$120,440				
TOTAL DEVELOPMENT COSTS	\$4,714,777	\$4,512,015			\$4,399,777	\$4,206,576

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					\$126,500	\$126,500
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS					\$4,273,277	\$4,080,076
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS					\$5,555,260	\$5,304,098
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS					\$5,555,260	\$5,304,098
Applicable Percentage			4.00%	4.00%	8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS					\$449,976	\$429,632

Syndication Proceeds	0.9650	\$4,342,269	\$4,145,948
Total Tax Credits (Eligible Basis Method)		\$449,976	\$429,632
Syndication Proceeds		\$4,342,269	\$4,145,948
Previously Approved Credits		\$275,576	
Syndication Proceeds		\$2,659,308	
Gap of Syndication Proceeds Needed		\$3,077,299	
Total Tax Credits (Gap Method)		\$318,891	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS 2nd ADDENDUM

DATE: October 17, 2007

PROGRAM: 9% HTC

FILE NUMBER: 05004

DEVELOPMENT NAME

Samuel's Place Apartments

APPLICANT

Name:	Samuels Avenue LP	Type:	For-profit
Address:	1201 East 13 th Street	City:	Fort Worth
State:	TX	Zip:	76102
Contact:	Barbara Holston	Phone:	(817) 332-8614
Fax:	(817) 332-4830		

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Pioneers of Samuels, LLC	(%):	1	Title:	Managing General Partner
Name:	Fort Worth Affordability, Inc.	(%):	N/A	Title:	Owner of GP
Name:	Carleton Development, Ltd.	(%):	N/A	Title:	Developer
Name:	CGB Southwest, Inc.	(%):	N/A	Title:	1% Special Limited Partner
Name:	Printice L. Gary	(%):	N/A	Title:	50% Owner CGB Southwest
Name:	R. David Kelly	(%):	N/A	Title:	25% Owner CGB Southwest
Name:	Neal R. Hildebrandt	(%):	N/A	Title:	25% Owner CGB Southwest

PROPERTY LOCATION

Location: SE corner Samuel's Avenue and Poindexter Street QCT DDA

City: Fort Worth County: Tarrant Zip: 76102

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$275,576	N/A	N/A	N/A
Other Requested Terms:	Annual ten-year allocation of housing tax credits		
Proposed Use of Funds:	New construction	Property Type:	Multifamily
Special Purpose (s):	General Population, Urban/Exurban		

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$275,576 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

ADDENDUM

In September 2006 the Applicant previously requested approval to amend the application for a change to the site and building plans in order to accommodate the noise abatement plan. The Board approved the Applicant's previous amendment request at the October 2006 meeting with no change to the recommended credit amount of \$254,842. In October 2006 the Board approved a policy to allocate additional tax credits to competitive 2004 and 2005 HTC developments to accommodate construction cost increases resulting from Hurricanes Katrina and Rita during September 2005. As a result, the Applicant was awarded \$20,734 in additional annual credits, giving the Applicant a total tax credit allocation of \$275,576.

In a letter dated July 31, 2007 the Applicant submitted a second amendment request to change the rent restrictions of the units, specifically decreasing the total number of 30% units from twelve to four and omitting public housing units at this development altogether. According to the Applicant a significant increase in construction costs due to noise reduction measures, split foundations required because of the topography of the site and a rise in building costs has occurred. In order to acquire more debt to cover these increased costs, the Applicant is seeking to convert eight of the original twelve units from 30% to 60% rent restricted units. The Applicant provided revisions to the rent schedule, operating expenses, development cost schedule, and sources and uses of funds.

The Applicant's revised income estimate reflects an increase of \$93K in potential income as a result of changing eight of the twelve units from 30% AMI units to 60% AMI units. The Applicant's revised expense estimate increased slightly by \$3,600. It should be noted that if the development were to maintain its original proposal to have twelve units at 30% AMI, the property would generate \$43K less in annual income based on current 2007 maximum program rents. This would cause the development, with its current construction cost estimate, to have to re-size its permanent debt in order to attain a minimum 1.15 DCR. Deferring the entire developer fee would not cover the remaining gap, therefore characterizing the development as infeasible. While the Underwriter's analysis contemplates the Applicant's request to maintain only four units at 30% AMI, additional analysis was performed to evaluate the possibility of maintaining additional 30% AMI units in order to continue to serve as many low income level tenants as originally proposed. Based on the Underwriter's analysis it appears that the development would be able to support a total of six or even eight units at 30% AMI and still meet the Department's and lender's minimum DCR requirement of 1.15. Although the permanent debt would have to be re-sized to reach a 1.15 DCR, sufficient deferred developer fee and 15-year cumulative cash flow appears to be available to fund the remaining gap.

The Applicant's revised construction cost estimate reveals that costs have increased by 45% or \$1.5M since that estimated at application and construction of the development is 75% complete. The Underwriter's updated *Marshall & Swift Residential Cost Handbook*-derived estimate reflects increased costs by 27% or \$971K, and is within 5% of the Applicant's revised estimate. The Applicant provided an updated sources and uses of funds summary as well as revised letters of commitment for the permanent financing and syndication proceeds. The permanent loan amount has increased from \$805K to \$1.7M. The revised tax credit syndication commitment reflects a syndication rate that has increased from \$0.84 to \$0.96. As stated above, the Applicant's total development cost is within 5% of the Underwriter's estimate; therefore the Applicant's cost schedule is used to determine eligible basis. However, the tax credits previously awarded (\$275,576) is less than both amounts resulting from the gap in permanent funds and the tax credits resulting from eligible basis. According to both the Applicant's and the Underwriter's Year 1 proforma the revised permanent loan amount of \$1.7M is serviceable at a DCR that falls within the Department's guidelines.

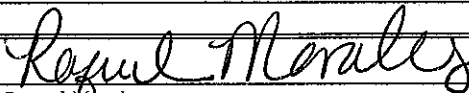
Therefore, the recommended tax credit allocation remains unchanged at \$275,576 based on a gap in permanent funds of \$2,888,277. Deferred fees totaling \$229K appear to be repayable from development cashflow within 10 years of stabilized operation. Based on the Underwriter's analysis the requested changes to do not appear to impact the feasibility of the development in a negative manner.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's net operating expenses are more than 5% outside of the Underwriter's verifiable ranges.

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.35) if the maximum tax credit rents can be achieved in this market.
- The seller of the property has an identity of interest with the Applicant.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- The significant financing structure changes being proposed have not been reviewed by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:


Raquel Morales

Date:

October 17, 2007

Samuel's Place Apartments, Fort Worth, 9% HTC, 2nd Addendum

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%	1	1	1	704	\$356	\$287	\$287	\$0.41	\$69.00	\$22.00
TC 60%	3	1	1	704	\$713	\$644	1,932	0.91	69.00	22.00
TC 30%	3	1	1	710	\$356	\$287	861	0.40	69.00	22.00
TC 60%	3	1	1	710	\$713	\$644	1,932	0.91	69.00	22.00
TC 60%	4	1	1	802	\$713	\$644	2,576	0.80	69.00	22.00
TC 60%	2	2	2	1,073	\$856	\$772	1,544	0.72	84.00	24.00
TC 60%	14	2	2	1,124	\$856	\$772	10,808	0.69	84.00	24.00
TC 60%	4	3	2	1,306	\$989	\$893	3,572	0.68	96.00	28.00
TC 60%	2	3	2	1,338	\$989	\$893	1,786	0.67	96.00	28.00
TOTAL:	36			AVERAGE: 1,002		\$703	\$26,298	\$0.70	\$80.17	\$23.89

INCOME Total Net Rentable Sq Ft: 36,066
POTENTIAL GROSS RENT
 Secondary Income Per Unit Per Month: \$10.00
 Other Support Income:
POTENTIAL GROSS INCOME
 Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

	TDHCA-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum
POTENTIAL GROSS RENT	\$303,576	\$260,856	\$209,412	\$302,136
Secondary Income	4,320	4,320	4,320	4,320
Other Support Income	0	0	0	0
POTENTIAL GROSS INCOME	\$307,896	\$265,176	\$213,732	\$306,456
Vacancy & Collection Loss	(23,092)	(19,888)	(16,032)	(22,980)
Employee or Other Non-Rental Units or Concessions	0	0	0	0
EFFECTIVE GROSS INCOME	\$284,804	\$245,288	\$197,700	\$283,476

COUNTY: Tarrant
 IREM REGION: Fort Worth
 COMPT. REGION: 3
 Per Unit Per Month: \$10.00
 Per Unit Per Month: \$0.00
 % of Potential Gross Income: -7.50%

EXPENSES
 % OF EGI PER UNIT PER SQ FT
 General & Administrative 4.07% \$322 0.32
 Management 3.70% 293 0.29
 Payroll & Payroll Tax 11.33% 897 0.89
 Repairs & Maintenance 0.23% 730 0.73
 Utilities 5.04% 399 0.40
 Water, Sewer, & Trash 3.62% 287 0.29
 Property Insurance 4.43% 351 0.35
 Property Tax 0.00% 0 0.00
 Reserve for Replacements 3.16% 250 0.25
 TDHCA Compliance Fees 0.51% 40 0.04
 Other: 0.00% 0 0.00
TOTAL EXPENSES 45.10% \$3,588 \$3.56
NET OPERATING INC 54.90% \$4,343 \$4.34

PER SQ FT PER UNIT % OF EGI
 \$0.21 \$210 2.67%
 0.33 330 4.18%
 0.89 899 11.29%
 0.56 567 7.07%
 0.36 361 4.59%
 0.30 306 3.89%
 0.28 278 3.53%
 0.00 0 0.00%
 0.30 300 3.81%
 0.04 40 0.51%
 0.00 0 0.00%
\$3.28 \$3,270 41.53%
\$4.60 \$4,605 58.47%

DEBT SERVICE
 Bank of America 46.84% \$3,706 \$3.70
 City of Fort Worth HOME Funds 0.00% \$0 \$0.00
 Additional Financing 0.00% \$0 \$0.00
NET CASH FLOW 8.06% \$638 \$0.64

	TDHCA-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum
Bank of America	\$133,401	\$66,939	\$66,939	\$132,606
City of Fort Worth HOME Funds	0	0	0	0
Additional Financing	0	0	0	0
NET CASH FLOW	\$22,953	\$54,458	\$16,647	\$33,156

AGGREGATE DEBT COVERAGE RATIO: 1.17
 RECOMMENDED DEBT COVERAGE RATIO: 1.30

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.55%	\$4,444	\$4.44
Off-Sites		0.00%	0	0.00
Sitework		13.49%	16,906	16.88
Direct Construction		41.82%	52,411	52.31
Contingency	5.00%	2.77%	3,466	3.46
Contractor's Fees	14.00%	7.74%	9,704	9.69
Indirect Construction		9.25%	11,589	11.57
Ineligible Costs		0.55%	694	0.69
Developer's Fees	11.24%	9.42%	11,808	11.79
Interim Financing		8.75%	10,965	10.94
Reserves		2.87%	3,346	3.34
TOTAL COST	100.00%		\$125,334	\$125.10
Construction Cost Recap		65.81%	\$82,488	\$82.34

	TDHCA-2nd Addendum	TDHCA-1st Addendum	APP-1st Addendum	APP-2nd Addendum
Acquisition Cost (site or bldg)	\$160,000	\$160,000	\$160,000	\$160,000
Off-Sites	0	0	0	0
Sitework	608,630	237,065	237,065	608,630
Direct Construction	1,886,791	1,829,682	1,591,339	2,066,491
Contingency	124,771	50,000	50,000	128,324
Contractor's Fees	349,359	240,000	240,000	359,308
Indirect Construction	417,189	324,000	324,000	417,189
Ineligible Costs	25,000	74,922	74,922	25,000
Developer's Fees	425,098	425,098	425,098	425,098
Interim Financing	394,737	158,371	158,371	394,737
Reserves	120,440	41,868	0	130,000
TOTAL COST	\$4,512,015	\$3,541,007	\$3,260,795	\$4,714,777
Construction Cost Recap	\$2,989,552	\$2,356,747	\$2,118,404	\$3,162,753

PER SQ FT PER UNIT % of TOTAL
 \$4.44 \$4,444 3.39%
 0.00 0 0.00%
 16.88 16,906 12.91%
 57.30 57,403 43.83%
 3.56 3,565 2.72%
 9.68 9,981 7.82%
 11.57 11,589 8.85%
 0.69 694 0.53%
 11.79 11,808 9.02%
 10.94 10,965 8.37%
 3.60 3,611 2.78%
\$130.73 \$130,966 100.00%
\$87.69 \$87,854 67.06%

SOURCES OF FUNDS

Bank of America	37.68%	\$47,222	\$47.14
City of Fort Worth HOME Funds	2.80%	\$3,514	\$3.51
HTC Syndicalion Proceeds	58.93%	\$73,862	\$73.73
Deferred Developer Fees	5.08%	\$6,388	\$6.36
Additional (Excess) Funds Req'd	-4.49%	(\$5,632)	(\$5.82)
TOTAL SOURCES			

Bank of America	\$1,700,000	\$805,667	\$805,667	\$1,700,000
City of Fort Worth HOME Funds	126,500	126,500	126,500	126,500
HTC Syndicalion Proceeds	2,659,039	2,802,807	2,602,807	2,659,039
Deferred Developer Fees	229,238	1,910	1,910	229,238
Additional (Excess) Funds Req'd	(202,762)	4,123	(276,089)	0
TOTAL SOURCES	\$4,512,015	\$3,541,007	\$3,260,795	\$4,714,777

RECOMMENDED
 \$1,700,000
 126,500
 2,659,038
 228,969
 0
\$4,714,777
 Developer Fee Available \$425,098
 % of Dev. Fee Deferred 54%
 15-Yr Cumulative Cash Flow \$720,121

#REF!

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$60.31	\$2,175,300
Adjustments				
Exterior Wall Finish	0.70%		\$0.42	\$15,227
Elderly			0.00	0
9-Ft. Ceilings	3.10%		1.87	67,434
Roofing			0.00	0
Subfloor			(1.24)	(44,542)
Floor Cover			3.08	111,083
Breezeways/Balconies	\$21.66	1,989	1.19	43,007
Plumbing Fixtures	\$985	12	0.32	11,580
Rough-Ins	\$400		0.00	0
Built-In Appliances	\$2,425	36	2.42	87,300
Exterior Stairs	\$2,100	34	1.98	71,400
Enclosed Corridors	\$50.39		0.00	0
Heating/Cooling			1.90	68,525
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$83.42	400	0.93	33,366
Other: fire sprinkler			0.00	0
SUBTOTAL			73.19	2,639,681
Current Cost Multiplier	0.98		(1.46)	(52,794)
Local Multiplier	0.90		(7.32)	(263,068)
TOTAL DIRECT CONSTRUCTION COSTS			\$64.41	\$2,322,920
Plans, specs, survy, bld prm	3.90%		(\$2.51)	(\$80,594)
Interim Construction Interes	3.36%		(2.17)	(78,399)
Contractor's OH & Profit	11.50%		(7.41)	(267,136)
NET DIRECT CONSTRUCTION COSTS			\$52.31	\$1,886,791

PAYMENT COMPUTATION

Primary	\$1,700,000	Amort	360
Int Rate	6.83%	DCR	1.17

Secondary	\$126,500	Amort	0
Int Rate	2.75%	Subtotal DCR	1.17

Additional	\$2,659,039	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$133,401
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$22,953

Primary	\$1,700,000	Amort	360
Int Rate	6.83%	DCR	1.17

Secondary	\$126,500	Amort	0
Int Rate	2.75%	Subtotal DCR	1.17

Additional	\$2,659,039	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
INCOME at 3.00%					
POTENTIAL GROSS RENT	\$303,576	\$312,883	\$322,064	\$331,726	\$341,677
Secondary Income	4,320	4,450	4,583	4,721	4,862
Other Support Income:	0	0	0	0	0
POTENTIAL GROSS INCOME	307,896	317,333	326,647	336,446	346,540
Vacancy & Collection Loss	(23,092)	(23,785)	(24,499)	(25,233)	(25,980)
Employee or Other Non-Rental I	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$284,804	\$293,548	\$302,148	\$311,213	\$320,560
EXPENSES at 4.00%					
General & Administrative	\$11,604	\$12,068	\$12,551	\$13,053	\$13,575
Management	10,531	10,847	11,173	11,508	11,853
Payroll & Payroll Tax	32,277	33,568	34,911	36,307	37,759
Repairs & Maintenance	26,293	27,344	28,438	29,576	30,759
Utilities	14,363	14,937	15,535	16,156	16,802
Water, Sewer & Trash	10,320	10,733	11,162	11,609	12,073
Insurance	12,623	13,126	13,653	14,199	14,767
Property Tax	0	0	0	0	0
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529
Other	1,440	1,488	1,558	1,620	1,685
TOTAL EXPENSES	\$128,450	\$133,483	\$138,714	\$144,151	\$149,802
NET OPERATING INCOME	\$156,353	\$159,865	\$163,434	\$167,062	\$170,748
DEBT SERVICE					
First Lien Financing	\$133,401	\$133,401	\$133,401	\$133,401	\$133,401
Second Lien	0	0	0	0	0
Other Financing	0	0	0	0	0
NET CASH FLOW	\$22,953	\$26,464	\$30,034	\$33,661	\$37,347
DEBT COVERAGE RATIO	1.17	1.20	1.23	1.25	1.28
Cumulative Cash Flow	22,953	49,417	79,451	113,112	150,459

	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$398,098	\$459,186	\$532,322	\$715,397
Secondary Income	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0
POTENTIAL GROSS INCOME	401,734	465,720	539,897	725,577
Vacancy & Collection Loss	(30,130)	(34,928)	(40,492)	(54,418)
Employee or Other Non-Rental I	0	0	0	0
EFFECTIVE GROSS INCOME	\$371,604	\$430,791	\$499,405	\$671,159
EXPENSES at 4.00%				
General & Administrative	\$16,516	\$20,094	\$24,448	\$36,189
Management	13,741	15,929	18,467	24,817
Payroll & Payroll Tax	45,940	55,893	68,002	100,660
Repairs & Maintenance	37,423	45,530	55,395	81,998
Utilities	20,442	24,871	30,260	44,792
Water, Sewer & Trash	14,889	17,871	21,743	32,184
Insurance	17,987	21,859	26,595	39,367
Property Tax	0	0	0	0
Reserve for Replacements	12,810	15,585	18,982	28,088
Other	2,050	2,494	3,034	4,491
TOTAL EXPENSES	\$181,577	\$220,127	\$266,904	\$392,566
NET OPERATING INCOME	\$190,028	\$210,664	\$232,501	\$278,593
DEBT SERVICE				
First Lien Financing	\$133,401	\$133,401	\$133,401	\$133,401
Second Lien	0	0	0	0
Other Financing	0	0	0	0
NET CASH FLOW	\$56,627	\$77,263	\$99,100	\$145,192
DEBT COVERAGE RATIO	1.42	1.58	1.74	2.09
Cumulative Cash Flow	46,987	66,945	88,182	122,146
	385,394	720,121	1,161,030	2,382,491

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$160,000	\$160,000				
Purchase of buildings						
Off-Site Improvements						
Sitework	\$608,630	\$608,630			\$608,630	\$608,630
Construction Hard Costs	\$2,066,491	\$1,886,791			\$2,066,491	\$1,886,791
Contractor Fees	\$359,308	\$349,359			\$359,308	\$349,359
Contingencies	\$128,324	\$124,771			\$128,324	\$124,771
Eligible Indirect Fees	\$417,189	\$417,189			\$417,189	\$417,189
Eligible Financing Fees	\$394,737	\$394,737			\$394,737	\$394,737
All Ineligible Costs	\$25,000	\$25,000				
Developer Fees						
Developer Fees	\$425,098	\$425,098			\$425,098	\$425,098
Development Reserves	\$130,000	\$120,440				
TOTAL DEVELOPMENT COSTS	\$4,714,777	\$4,512,015			\$4,399,777	\$4,206,576

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis					\$126,500	\$126,500
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS					\$4,273,277	\$4,080,076
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS					\$5,555,260	\$5,304,098
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS					\$5,555,260	\$5,304,098
Applicable Percentage			4.00%	4.00%	8.10%	8.10%
TOTAL AMOUNT OF TAX CREDITS					\$449,976	\$429,632

Syndication Proceeds	0.9650	\$4,342,269	\$4,145,948
Total Tax Credits (Eligible Basis Method)		\$449,976	\$429,632
Syndication Proceeds		\$4,342,269	\$4,145,948
Previously Approved Credits		\$275,576	
Syndication Proceeds		\$2,659,308	
Gap of Syndication Proceeds Needed		\$2,888,277	
Total Tax Credits (Gap Method)		\$299,303	



05026

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

Date: August, 24, 2007
To: Ben Shepard
From: Diamond Thompson
CC: file
RE: Mesa Vista, 9%HTC #05026

The Owner, MV Housing, Ltd, submitted a revised site plan and development cost schedule. The increase in acreage from four acres to six acres was addressed in a memo dated November 21, 2005. The cost schedule reflects an increase in total sitework and direct construction costs and a subsequent decrease in contingency. Moreover, the revised site plan indicates the construction of one additional residential building. The tax credit allocation of \$453,995 recommended at application based on the Applicant's request continues to be supported by the development costs and sources and uses. However, the developer will be required to defer fees totaling \$ 478,543, or 64%, of total developer fees. This amount appears to be repayable from development cashflow within 5 years of stabilized operation. Therefore, the development continues to be feasible based on current Department rules. The current underwriting analysis indicates a continued recommendation of \$453,995 in annual tax credits.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, MFFP

From: Diamond Unique Thompson, REA

cc: Tom Gouris, REA

Date: November 20, 2007

Re: Amendment Request for Pecan Village f.k.a. University Place (05084) in Wharton, TX

I have reviewed the Applicant's request, dated September 24, 2007, for an Amendment to the application for a threshold amenity. The Applicant indicates that the dishwasher and disposal threshold items were inadvertently left out of the rehabilitation scope of work, and while they are in the process of installing the disposal systems, installation of the dishwashers appears to be problematic due to the small size of the kitchen areas. Therefore, the Applicant proposes to substitute the dishwashers with covered parking spaces. Moreover, the Applicant has stated that the proposed changes will not affect the development costs originally underwritten since the Developer is to cover the cost of the covered parking or dishwashers. Therefore, based upon the information provided by the Applicant, and pending cost certification, the requested amendment has no material affect on the application as underwritten and no affect on the recommended 9% Housing Tax Credit Award.

Should any further changes be requested, the transaction should be reevaluated and an adjustment to the 9% HTC recommendation may be warranted. A copy of the Applicant's request is attached.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, MFFP

From: Cameron Dorsey, REA

cc: Raquel Morales

Date: December 5, 2007

Re: Olive Grove Manor (#05198) Amendment Request dated 11/5/2007

The Applicant for the subject development has submitted an amendment request. This request has been forwarded to underwriting to determine if any changes to the original underwriting conclusions are needed.

The application originally proposed 160 garage spaces and 80 uncovered parking spaces. The Applicant has requested a reduction in the number of uncovered parking spaces from 80 to 21 but has requested no change in the number of garage spaces. The garage spaces will be offered to tenants free of charge. The 160 unit elderly property will maintain more than one free parking space per unit, which is generally in line with the standard for an elderly property and the Applicant has indicated that it meets local zoning codes. Real Estate Analysis currently has no requirements regarding the number of parking spaces a development is required to have.

Additionally, the Applicant has noted the following changes: addition of 66 SF of community area; addition of a salon for tenants; a wooden fence with brick columns as alternative to originally planned wrought iron; rotation of buildings to face less busy street; and a larger swimming pool. The Applicant has indicated that the originally proposed unit mix and net rentable square footage remains unchanged. Of note, the change in the fencing and swimming pool cannot be verified as the specifics of these items are generally not required at application.

The Applicant has indicated that the changes have no affect on the original budget. The above changes have no affect on the original underwriting conclusions. The Applicant's original sitework cost was below the Department's maximum guideline and therefore no third party verification of the sitework was required at application and no additional verification is required at this time. No further action is required at this time.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING SECOND ADDENDUM**

DATE: December 13, 2007 **PROGRAM:** 9% HTC **FILE NUMBER:** 04167

DEVELOPMENT NAME

Oxford Place Apartments

APPLICANT

Name:	Oxford Community, LP	Type:	For Profit		
Address:	2640 Fountainview	City:	Houston	State:	TX
Zip:	77057	Contact:	Ernie Etuk	Phone:	(713) 260-0767
		Fax:	(713)	260-0815	
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS					
Name:	Oxford Community GP, LLC	(%):	0.01	Title:	Managing General Partner
Name:	APV Redevelopment Corporation	(%):	N/A	Title:	Sole member of MGP; Developer (Nonprofit)
Name:	Housing Authority of City of Houston	(%):	N/A	Title:	Parent of Developer

PROPERTY LOCATION

Location: 605 Berry Road **QCT** **DD**
A

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

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,302,517	N/A	N/A	N/A
Other Requested Terms:	The original allocation was \$1,187,924 from the 2004 credit ceiling and \$114,593 from the 2007 credit ceiling; the revised request is based on the CPAs certification of actual costs.		
Proposed Use of Funds:	New Construction	Property Type:	Multifamily
Special Purpose:	Family, Nonprofit; At-Risk		

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,272,189¹ ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

ADDENDUM

In conjunction with submission of the development's Cost Certification, the Owner has requested several amendments to the application which have been identified in more detail below. This addendum has been issued to evaluate the effect that the requested changes have on the feasibility of the transaction and recommended credit amount.

The first of the amendments requested has to do with the design of the development. According to the Owner's request the number of parking spaces required for this development was reduced by the City of Houston, resulting in minor site plan changes. At application the development was to be comprised of ten

¹ The recommended tax credit allocation incorporates the October 12, 2006 TDHCA Board approval to award additional tax credits to developments from the 2004 and 2005 competitive round based on a 14% increase in sitework and direct construction costs.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ADDENDUM**

different building floor plans, but the development as constructed utilizes seven building floor plans with the largest and smallest building plans that were originally proposed eliminated altogether.

In addition to the changes to the building floor plans, the architect also adjusted the sizes of the some of the unit floor plans in order to maximize efficiency of the units. These changes resulted in an increase in the net rentable square footage increased by 3%.

The Owner also requested to correct an error of the calculation of the common area square footage at application. The Owner's Cost Certification reflects a total common area square footage of 12,409 as built (and certified by the development architect).

The Owner's amendment also requested to two convert three market rate/public housing units to 60% tax credit/public housing units in order to increase the applicable fraction. The original application was based on a fraction of 80% (200 tax credits units/250 total units). However, at Cost Certification it was determined that the applicable fraction based on square footage, which is the lesser of the unit or square footage fraction, was only 78%. In order to meet the original fraction that was committed at application (and for which points were received) the Owner proposes to convert three of the market rate units to yield a square footage fraction of 80.16%.

Finally, the Owner is seeking approval to substitute some of the amenities originally committed in the application for those items built on the property as certified to by the development architect. Specifically, it was identified during the Department's final construction inspection that self-cleaning ovens were only installed in the accessible units only. In order to resolve this issue the Owner has requested that the Department approve, as substitutes, one or more of the amenities that were provided at the development without taking points for these amenities, such as: laundry connections in each unit, furnished and staffed children's activity center, R-15 Walls/R-30 Ceilings or Energy Star rated dishwashers.

The remainder of this analysis evaluates the effects of these requested changes.

OPERATING PROFORMA ANALYSIS

Income: The Owner's Cost Certification reflects net rents that are equal to the current program rent levels for 30%, 40%, 50% and 60% rent levels less the applicable utility allowances established by the Houston Housing Authority. The Underwriter has also utilized the gross rents less utility allowances to determine potential gross rent. The Owner's secondary income and vacancy and collection loss estimates are also in line with Department standards. Therefore, the Owner's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expenses: The Owner's total expense estimate of \$3,894 per unit is not within 5% the Underwriter's estimate of \$3,633 per unit derived from the TDHCA database, IREM data, and other sources. Moreover, several of the Owner's line item estimates deviate significantly from the Underwriter's, including: general and administrative (\$38K higher); repairs and maintenance (\$37K lower); water, sewer, and trash (\$31K lower); and property insurance (\$84K higher).

The Underwriter has assumed a 100% property tax exemption as a result of a long-term ground lease between the partnership and the Housing Authority.

Conclusion: Because the development will receive an operating subsidy, sized to target break-even operation for the development, through an Annual Contribution Contract with HUD and, a debt coverage ratio is not a useful tool to determine the financial feasibility. However, the Owner's net operating income is more than 5% lower than the Underwriter's estimate and, therefore, the Underwriter's Year One proforma will be used, necessary, to determine the long-term feasibility of the development.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: No acquisition cost is identified because the development will be leased to the owner for a period of 99 years.

Sitework Cost: The Owner's final eligible sitework costs of \$4,438 per unit, is within the Department's guidelines. The Underwriter has assumed the Owner's actual incurred and CPA certified eligible sitework costs.

Direct Construction Cost: The Owner's direct construction costs of \$52,933/unit are 19% more than originally anticipated at application. Moreover, the actual direct construction costs are 4.7% lower than the Underwriter's re-costing at today's costs using Marshall and Swift's *Residential Cost Handbook*. The Underwriter's revised costing takes into account the Owner's proposed unit mix.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ADDENDUM**

Conclusion: The Owner's final total development cost is within 5% of the Underwriter's current estimate. Additionally, the development has been completed and the Contractor's Application for Final Payment, verifying the actual costs incurred, dated 2/8/2007, has been provided. Therefore, the Owner's final costs, as certified by an independent CPA, will be utilized to determine eligible basis and the development's need for permanent funds. An eligible basis of \$19,047,347 results in annual tax credits of \$1,616,733 using the actual applicable percentages for the placed in service dates of each building. The resulting syndication proceeds will be used to compare to the Owner's request and to the gap of need using the Owner's costs to determine the recommended credit amount.

FINANCING STRUCTURE

Permanent Financing: A subsidiary of the Housing Authority of the City of Houston (HACH), Victory Street Public Facility Corporation, has provided a permanent loan in the amount of \$8,642,784 which will accrue interest at AFR. Principle and interest are due at the end of a 45 year term. The funds have been funded through capital funds received from HUD and a direct loan to HACH from Amegy Bank. Of note, the Owner's financing structure at Cost Certification includes only \$6,536,672 of the total permanent loan amount in the development's final sources of funds summary. The Owner's documentation indicates that the loan balance of \$8.6M will be reduced to \$6.5M upon receipt of the equity from the tax credits. The Underwriter's analysis utilizes the reduced \$6.5M balance in this analysis.

HTC Syndication: The Limited Partnership Agreement is consistent with the Owner's sources of funds.

Deferred Developer's Fees: The Owner's documentation does not propose any deferred developer's fees.

Financing Conclusions: The Owner's total development cost less the permanent loan amount of \$6,536,672 results in a gap of funding of \$12,975,448. A tax credit allocation of \$1,272,189 annually for ten years would be needed to fill this gap. Of the three possible tax credit allocations, the Owner's cost certification request (\$1,302,517), the eligible basis derived estimate (\$1,616,733) and the gap-based amount (\$1,272,189), the gap amount of \$1,272,189 is recommended resulting in proceeds of \$12,975,448.

The revised recommendation of \$1,272,189 represents a \$30,328 reduction in the total combined 2004 and 2007 approved allocations as a result of the gap in financing. Based on the actual development costs submitted with the cost certification package, approval of the entire 2004 and 2007 allocations would result in an excess of funding.

Underwriter:

Raquel Morales

Date: December 13, 2007

Director of Real Estate Analysis:

Tom Gouris

Date: December 13, 2007

COST CERTIFICATION COMPARATIVE ANALYSIS

Oxford Place Apartments, Houston, HTC#4167

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr. Swr. Trsh
TC 30%	14	1	1	736	\$343	\$285	\$221	\$285	\$3,990	\$0.39	\$58.00	\$38.31
TC 40%	1	1	1	736	457	\$399	\$221	\$399	399	0.54	58.00	38.31
TC 50%	7	1	1	736	571	\$513	\$221	\$513	3,591	0.70	58.00	38.31
MR	4	1	1	736		\$343	\$221	\$343	1,372	0.47	58.00	38.31
TC 30%	9	1	1	865	343	\$285	\$221	\$285	2,565	0.33	58.00	38.31
TC 50%	13	1	1	865	571	\$513	\$221	\$513	6,669	0.59	58.00	38.31
TC 60%	1	1	1	865	686	\$628		\$628	628	0.73	58.00	38.31
MR	3	1	1	865		\$343	\$221	\$343	1,029	0.40	58.00	41.31
TC 30%	15	2	1	974	411	\$340	\$268	\$340	5,100	0.35	71.00	41.31
TC 40%	1	2	1	974	549	\$478	\$268	\$478	478	0.49	71.00	41.31
TC 50%	6	2	1	974	686	\$615	\$268	\$615	3,690	0.63	71.00	41.31
TC 30%	21	2	1	1,070	411	\$340	\$268	\$340	7,140	0.32	71.00	41.31
TC 40%	3	2	1	1,070	549	\$478	\$268	\$478	1,434	0.45	71.00	41.31
TC 50%	13	2	1	1,070	686	\$615	\$268	\$615	7,995	0.57	71.00	41.31
TC 60%	2	2	1	1,070	823	\$752		\$752	1,504	0.70	71.00	41.31
MR	7	2	1	1,070		\$411	\$268	\$411	2,877	0.38	71.00	41.31
TC 30%	8	2	1	1,103	411	\$340	\$268	\$340	2,720	0.31	71.00	41.31
TC 40%	1	2	1	1,103	549	\$478	\$268	\$478	478	0.43	71.00	41.31
TC 50%	4	2	1	1,103	686	\$615	\$268	\$615	2,460	0.56	71.00	41.31
MR	7	2	1	1,103		\$411	\$268	\$411	2,877	0.37	71.00	41.31
TC 30%	11	2	1.5	1,104	411	\$340	\$268	\$340	3,740	0.31	71.00	41.31
TC 40%	1	2	1.5	1,104	549	\$478	\$268	\$478	478	0.43	71.00	41.31
TC 50%	8	2	1.5	1,104	686	\$615	\$268	\$615	4,920	0.56	71.00	52.31
MR	4	2	1.5	1,104		\$411	\$268	\$411	1,644	0.37	71.00	52.31
TC 30%	6	3	2	1,267	475	\$390	\$315	\$390	2,340	0.31	85.00	52.31
MR	2	3	2	1,267		\$475	\$315	\$475	950	0.37	85.00	52.31
TC 30%	5	3	2	1,327	475	\$390	\$315	\$390	1,950	0.29	85.00	52.31
MR	3	3	2	1,327		\$475	\$315	\$475	1,425	0.36	85.00	52.31
TC 30%	52	3	2	1,389	475	\$390	\$315	\$390	20,280	0.28	85.00	52.31
MR	16	3	2	1,389		\$475	\$315	\$475	7,600	0.34	85.00	52.31
TC 30%	1	3	2	1,423	475	\$390	\$315	\$390	390	0.27	85.00	52.31
MR	1	3	2	1,423		\$475	\$315	\$475	475	0.33	85.00	52.31
TOTAL:	250			AVERAGE: 1,116	\$399	\$421			\$105,188	\$0.38	\$73.11	\$45.03

INCOME Total Net Rentable Sq Ft: 278,880

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

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

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	7.89%	\$373	0.33
Management	6.00%	284	0.25
Payroll & Payroll Tax	18.41%	870	0.78
Repairs & Maintenance	8.33%	393	0.35
Utilities	9.06%	428	0.38
Water, Sewer, & Trash	8.34%	394	0.35
Property Insurance	4.32%	204	0.18
Property Tax Tax Exempt	0.00%	0	0.00
Reserve for Replacements	5.29%	250	0.22
Other: compl fees	9.24%	437	0.39
TOTAL EXPENSES	76.88%	\$3,633	\$3.26
NET OPERATING INC	23.12%	\$1,093	\$0.98

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$1,262,256	\$964,848	\$964,848	\$1,262,100
15,000	15,000	12,000	12,000
0	0	0	0
\$1,277,256	\$979,848	\$976,848	\$1,274,100
(95,794)	(73,489)	(73,260)	(95,556)
0	0	0	0
\$1,181,462	\$906,359	\$903,588	\$1,178,544

Comptroller's Region 6
IREM Region Houston
Per Unit Per Month \$4.00
Per Unit Per Month \$0.00

-7.50% of Potential Gross Income

PER SQ FT PER UNIT % OF EGI

	PER SQ FT	PER UNIT	% OF EGI						
\$93,254	\$87,617	\$62,076	\$130,793	\$0.47	\$523	11.10%			
70,888	79,805	46,174	70,713	0.25	283	6.00%			
217,500	217,500	230,000	240,833	0.86	963	20.43%			
98,363	94,689	76,250	61,549	0.22	246	5.22%			
106,998	96,329	147,500	95,000	0.34	380	8.06%			
98,519	104,629	133,750	68,000	0.24	272	5.77%			
51,078	51,078	52,500	135,000	0.48	540	11.45%			
0	0	0	0	0.00	0	0.00%			
62,500	50,000	50,000	62,500	0.22	250	5.30%			
109,207	105,350	105,250	109,207	0.39	437	9.27%			
TOTAL EXPENSES	\$3,633	\$3.26	\$908,306	\$886,997	\$903,500	\$973,595	\$3.49	\$3,894	82.61%
NET OPERATING INC	\$1,093	\$0.98	\$273,156	\$19,362	\$88	\$204,949	\$0.73	\$820	17.39%

DEBT SERVICE

Victory Street Public Housing Corpor	0.00%	\$0	\$0.00	\$0	\$0	\$0	\$0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	23.12%	\$1,093	\$0.98	\$273,156	\$19,362	\$88	\$204,949	\$0.73	\$820	17.39%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)	0.00%	\$0	\$0.00	
Off-Sites	0.00%	0	0.00	
Sitework	5.47%	4,438	3.98	
Direct Construction	68.50%	55,586	49.83	
Contingency				
General Req'ts	2.78%	2,066	1.668	1.50
Contractor's G & A	0.67%	0.49%	400	0.36
Contractor's Profit	2.00%	1.48%	1,200	1.08
Indirect Construction	10.20%	8,277	7.42	
Ineligible Costs	2.29%	1,859	1.67	
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	6.92%	6.29%	5,101	4.57
Interim Financing	2.68%	2,172	1.95	
Reserves	0.55%	444	0.40	
TOTAL COST	100.00%	\$81,145	\$72.74	\$20,286,259
Construction Cost Recap	78.00%	\$63,292	\$56.74	\$15,822,981

TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT
\$0	\$0	\$0	\$0
0	0	0	0
1,109,469	1,532,919	1,532,919	1,109,469
13,896,423	12,978,319	11,077,381	13,233,236
	150,000	150,000	
417,089	761,547	761,547	417,089
100,000	242,907	242,907	100,000
300,000	748,348	748,348	300,000
2,069,364	742,500	742,500	2,069,364
464,773	971,138	971,138	464,773
0	570,000	570,000	0
1,275,268	855,000	855,000	1,275,268
542,921	259,280	259,280	542,921
110,952	108,640	0	0
\$20,286,259	\$19,920,598	\$17,911,020	\$19,512,120

	PER SQ FT	PER UNIT	% of TOTAL
\$0.00	\$0	0.00%	
0.00	0	0.00%	
3.98	4,438	5.69%	
47.45	52,933	67.82%	
1.50	1,668	2.14%	
0.36	400	0.51%	
1.08	1,200	1.54%	
7.42	8,277	10.61%	
1.67	1,859	2.38%	
0.00	0	0.00%	
4.57	5,101	6.54%	
1.95	2,172	2.78%	
0.00	0	0.00%	
\$69.97	\$78,048	100.00%	
\$54.36	\$60,639	77.69%	

SOURCES OF FUNDS

Victory Street Public Housing Corpor	32.22%	\$26,147	\$23.44	\$6,536,672	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	\$1,275,268
HTC Syndication Proceeds	63.96%	\$51,902	\$46.53	12,975,448	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	\$0	\$0.00	0	0%
Additional (Excess) Funds Req'd	3.82%	\$3,097	\$2.78	774,139	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$20,286,259	(\$2,413,757)

RECOMMENDED

\$6,536,672	\$8,071,620	\$8,071,620	\$6,536,672	\$6,536,672
0	100,000	100,000	0	0
12,975,448	0	0	12,975,448	12,975,448
0	0	0	0	0
774,139	11,748,978	9,739,400	0	0
\$20,286,259	\$19,920,598	\$17,911,020	\$19,512,120	\$19,512,120

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Date: 6/25/07

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.50	\$14,920,892
Adjustments				
Exterior Wall Finish	3.04%		\$1.63	\$453,595
9-Ft. Ceilings	3.38%		1.81	504,326
Roofing			0.00	0
Subfloor			(1.00)	(277,755)
Floor Cover			2.43	677,678
Porches/Balconies	\$19.81	15,628	1.11	309,591
Plumbing fixtures	\$805	306	0.88	246,330
Built-In Appliances	\$1,830	250	1.64	457,500
Interior Stairs	\$1,350	242	1.17	326,700
Enclosed Corridors	\$43.58		0.00	0
Heating/Cooling			1.90	529,872
Plumbing roughins	\$400.00	500	0.72	200,000
Comm &/or Aux Bldgs	\$62.25	12,409	2.77	772,460
Sprinklers	\$1.95	278,880	1.95	543,816
SUBTOTAL			70.51	19,665,005
Current Cost Multiplier	0.98		(1.41)	(393,300)
Local Multiplier	0.89		(7.76)	(2,163,151)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.35	\$17,108,554
Plans, specs, survy, bld pmt	3.90%		(2.39)	(\$667,234)
Interim Construction Interest	3.38%		(2.07)	(\$577,414)
Contractor's OH & Profit	11.50%		(7.05)	(1,967,484)
NET DIRECT CONSTRUCTION COSTS			\$49.83	\$13,896,423

PAYMENT COMPUTATION

Primary	\$6,536,672	Amort	0
Int Rate	0.00%	DCR	#DIV/0!

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	#DIV/0!

Additional	\$12,975,448	Amort	
Int Rate		Aggregate DCR	#DIV/0!

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$420,662
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	(\$147,506)

Primary	\$6,536,672	Amort	540
Int Rate	6.00%	DCR	0.65

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	0.65

Additional	\$12,975,448	Amort	0
Int Rate	0.00%	Aggregate DCR	0.65

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	\$1,262,256	\$1,300,124	\$1,339,127	\$1,379,301	\$1,420,680	\$1,646,958	\$1,909,275	\$2,213,374	\$2,974,589
Secondary Income	15,000	15,450	15,914	16,391	16,883	19,572	22,689	26,303	35,348
Other Support Income: (descr)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,277,256	1,315,574	1,355,041	1,395,692	1,437,563	1,666,529	1,931,964	2,239,676	3,009,937
Vacancy & Collection Loss	(95,794)	(98,668)	(101,628)	(104,677)	(107,817)	(124,990)	(144,897)	(167,976)	(225,745)
Employee or Other Non-Rents	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,181,462	\$1,216,906	\$1,253,413	\$1,291,015	\$1,329,746	\$1,541,540	\$1,787,067	\$2,071,700	\$2,784,192
EXPENSES at 4.00%									
General & Administrative	\$93,254	\$96,984	\$100,864	\$104,898	\$109,094	\$132,730	\$161,486	\$196,473	\$290,827
Management	70,888	73,014	75,205	77,461	79,785	92,492	107,224	124,302	167,052
Payroll & Payroll Tax	217,500	226,200	235,248	244,658	254,444	309,570	376,640	458,240	678,307
Repairs & Maintenance	98,363	102,297	106,389	110,645	115,070	140,001	170,332	207,235	306,759
Utilities	106,998	111,278	115,729	120,358	125,173	152,292	185,286	225,429	333,689
Water, Sewer & Trash	98,519	102,459	106,558	110,820	115,253	140,223	170,602	207,564	307,245
Insurance	51,078	53,121	55,246	57,456	59,754	72,700	88,451	107,614	159,294
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	62,500	65,000	67,600	70,304	73,116	88,957	108,230	131,678	194,916
Other	109,207	113,575	118,118	122,843	127,757	155,436	189,111	230,083	340,579
TOTAL EXPENSES	\$908,306	\$943,929	\$980,956	\$1,019,443	\$1,059,446	\$1,284,400	\$1,557,362	\$1,888,616	\$2,778,668
NET OPERATING INCOME	\$273,156	\$272,976	\$272,456	\$271,573	\$270,300	\$257,140	\$229,705	\$183,084	\$5,525
DEBT SERVICE									
First Lien Financing	\$420,662	\$420,662	\$420,662	\$420,662	\$420,662	\$420,662	\$420,662	\$420,662	\$420,662
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	(\$147,506)	(\$147,686)	(\$148,206)	(\$149,089)	(\$150,362)	(\$163,522)	(\$190,957)	(\$237,578)	(\$415,137)
DEBT COVERAGE RATIO	0.65	0.65	0.65	0.65	0.64	0.61	0.55	0.44	0.01

COST CERTIFICATION ANALYSIS -Date: 6/25/07

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land				
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,109,469	\$1,109,469	\$1,109,469	\$1,109,469
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$13,233,236	\$13,896,423	\$13,233,236	\$13,896,423
(4) Contractor Fees & General Requirements				
Contractor overhead	\$100,000	\$100,000	\$100,000	\$100,000
Contractor profit	\$300,000	\$300,000	\$300,000	\$300,000
General requirements	\$417,089	\$417,089	\$417,089	\$417,089
(5) Contingencies				
(6) Eligible Indirect Fees				
	\$2,069,364	\$2,069,364	\$2,069,364	\$2,069,364
(7) Eligible Financing Fees				
	\$542,921	\$542,921	\$542,921	\$542,921
(8) All Ineligible Costs				
	\$464,773	\$464,773		
(9) Developer Fees				
Developer overhead				
Developer fee	\$1,275,268	\$1,275,268	\$1,275,268	\$1,275,268
(10) Development Reserves				
		\$110,952		
TOTAL DEVELOPMENT COSTS	\$19,512,120	\$20,286,259	\$19,047,347	\$19,710,534

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$19,047,347	\$19,710,534
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$24,761,551	\$25,623,694
Applicable Fraction		80%	80.16%
TOTAL QUALIFIED BASIS		\$19,849,018	\$20,540,118
Applicable Percentage		8.15%	8.15%
TOTAL AMOUNT OF TAX CREDITS		\$1,616,733	\$1,673,024

Syndication Proceeds	1.0199	\$16,489,556	\$17,063,686
Total Tax Credits (Eligible Basis Method)		\$1,616,733	\$1,673,024
Syndication Proceeds		\$16,489,556	\$17,063,686
2004 Approved Tax Credits		\$1,187,924	
Syndication Proceeds		\$12,116,000	
2007/2008 Approved Additional Tax Credits		\$114,593	
Additional Allocation Amount Accepted		\$114,593	
Cost Certification Request		\$1,302,517	
Syndication Proceeds		\$13,284,769	
Gap of Syndication Proceeds Needed		\$12,975,448	
Total Tax Credits (Gap Method)		\$1,272,189	
Total Qualified Allocation		\$1,300,373	
Eligible Credits per CC Analysis		\$1,272,189	
Total from Additional Allocation		\$84,265	
Reconciled Tax Credits		\$1,272,189	
Syndication Proceeds		\$12,975,448	
Unused/Recaptured 2008 Credit Amount		\$30,328	



04157

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, MFFP

From: Cameron Dorsey, REA

cc: Tom Gouris, REA
Raquel Morales, REA

Date: 12/4/2007

Re: Request for Amendment to Samaritan House (# 04157)

The owner for the subject transaction submitted an amendment request, dated June 25, 2007. The request addresses deficiencies that were identified by the Department's final construction inspection report as not having been provided. Specifically, the following unit and common amenities were cited as not provided at the development by a TDHCA inspector: washer and dryer connections, dishwasher, garbage disposal, hood and fan, range/oven, refrigerator with icemaker, bathroom laminated countertop, tile/tub shower, 12 SEER A/C, ceiling fans in living and bedrooms, nine foot ceilings, storage room or closet (9s.f. or larger), gazebo w/sitting area, furnished fitness center, and 15 less garage parking spaces provided.

These items were identified in a letter to the owner dated December 5, 2006 from the Department's Compliance division with a corrective action response required. In a letter to the Department dated January 27, 2006, the owner responded that the application for this development never contemplated that the SRO units would be required to have the amenities that are included in the newly constructed one, two and three-bedroom units. The owner further stated that the SRO units are not required to have the level of amenities present in the apartments. Discussions with the owner confirmed that the unit amenities listed above have been provided in the one, two and three unit developments only, but not provided in the SRO (efficiency) units. In order to receive IRS Forms 8609, the owner must receive approval from the Department and/or TDHCA Board for not having provided the amenities listed previously in the SRO (efficiency) units. The owner's Cost Certification has been submitted to the Department and is currently being reviewed. Below, the Underwriter has responded to the potential underwriting effects of each item identified in the owner's amendment request and if any further action is required. Of note, subsequent to the owner's original amendment request (dated June 25, 2007) revisions to the original amendment request have been submitted (letters dated August 17, 2007 and September 6, 2007).

Regarding the failure to provide washer and dryer connections, a dishwasher, a disposal, hood and fan, range and oven, refrigerator with icemaker, bathroom laminate countertops, and a tiled tub/shower, ceiling fans, nine foot ceilings, and storage closets in each of the rehabilitated SRO units, the Underwriter evaluated the property condition assessment (PCA) to determine if each of these items was included in the original scope of work evaluated by the PCA provider. The PCA does not appear to

contemplate any of the major electrical and plumbing renovations that would be required to install a kitchen or laundry area in each existing room. Additionally, the PCA does not contemplate replacement of countertops or tub surrounds. The Underwriter generally underwrites rehabilitation costs by utilizing the costs provided in the third-party PCA. In this case the PCA did not contemplate inclusion of the above described items and therefore, failure to provide these amenities has no affect on the original underwriting. Of note, the owner's original amendment request letter states that "While note part of the original rehab we are in the process of adding ceiling fans to each SRO room." Therefore, upon installation of the ceiling fans the owner should provide evidence and certification that ceiling fans have been installed in each unit.

Regarding the owner's failure to provide a gazebo and provision of a covered deck as an alternative, a gazebo is generally considered a sitework cost that this not included in the direct construction cost estimate. The owner's original sitework costs were below the Department's threshold and third-party cost verification was not required. While it is unclear if the replacement of the gazebo with a covered deck is precisely comparable, it would be unlikely to have a substantial effect on the cost and would not affect the financial viability of the transaction. Therefore, no revision of the original underwriting is required.

The owner's amendment also requests approval for provision of a playground instead of a fitness center. As indicated above, the owner has submitted a cost certification package for the subject development. A review of the Architect's certification and of the owner's correspondence with the Cost Certification reviewer indicates that there has been no net change to the common area square footage, which would include a fitness room/facility. The Underwriter did not individually estimate the cost for furnishing the fitness facility. The playground would have been included as a sitework cost. A review of the owner's actual costs provided at Cost Certification indicates actual sitework costs that are lower than originally underwritten, and therefore, any concern that the playground would increase cost is mitigated. No revision of the original underwriting is required.

Regarding the owner's failure to provide garages as indicated in the application, the Underwriter originally used the per square foot cost for carports (not garages); therefore, the provision of the described three sided structures is consistent with the original underwriting for the transaction. Of note, the owner subsequently provided a letter to the Department dated September 6, 2007 whereby the owner requested to rescind the amendment request on the covered parking issue. According to this letter, the owner decided to construct a sufficient number of additional covered parking spaces to the original number committed in the application. Therefore, upon construction completion of the additional covered parking spaces the owner should provide evidence and certification that this amenity has been satisfied.

As a result of the information provided in the owner's amendment requests and Cost Certification documentation, the changes requested do not negatively impact the underwriting of this transaction.

VICTORY STREET PUBLIC FACILITY CORPORATION

June 26, 2007

Ms. Robbye Meyer
Texas Department of Housing
And Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

RE: Victory Apartments (TDHCA # 0032T);
Request for Amendment to Application.

Dear Ms. Meyer:

100 Victory, L.P., the owner of Victory Apartments (the "Project"), has advised us that it is requesting an amendment to its 2000 4% Low Income Housing Tax Credit Application. The amendment is to permit income tiering as follows:

	<u>30% AMGI</u>	<u>40% AMGI</u>	<u>50% AMGI</u>	<u>Total Units</u>
1BR	11	2	5	18
2BR	18	23	11	52
3BR	8	12	10	30
Total Units	37	37	26	100

As lender to the Project, Victory Street Public Facility Corporation supports this request for an amendment.

We have been advised that the TDHCA requires that the Project be subject to income limitations of one-third of the units at 0% to 15% of AMGI, one-third at 16% to 30% of AMGI, and one-third at 31% to 40% of AMGI (the "Underwriting Limitations"). These limitations are at variance with the limitations included in the original application.

The Underwriting Limitations are too restrictive to permit the Project to function. A public housing unit is required to be rented to the first household on the waiting list that qualifies to occupy the unit, and the household is only required to pay 30% of its gross monthly income for rent, regardless of what the maximum rent for that unit might be under the Housing Tax Credit Program. For that reason, although a unit might be restricted to 0-15% AMGI, the Project Owner is unlikely to derive income from that unit equal to the maximum rent for a 15% AMGI household, because it is far more likely that the tenant will be a household with less than 15% AMGI. In order to approximate the rent income that can be derived from a public housing unit that is restricted to 0-15% AMGI, you must take the average of rent that would be paid by households at the low end of the tier and at the high end of the tier. This means that under the Underwriting Limitations, one-third of the units would be leased at rents approximating the rent

for a 7.5% AMGI family, one-third would be at the 25% AMGI rent level and one-third would be at the 35.5% AMGI rent level.

Public housing units receive an operating subsidy from HUD. The maximum amount of the operating subsidy is limited by the difference between the rent received and the actual cost of maintaining the unit, without any debt service. Currently, HUD is only paying 82% of the maximum amount of the operating subsidy, so the artificially low rental income established by the Underwriting Limitations would not be made up through operating subsidy.

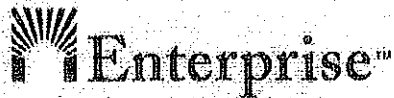
Victory Street Public Facility Corporation's loan to the Project is a long-term deferred interest HOPE VI loan. No cash flow goes to pay interest on the loan, because of the public housing aspect of the Project. We have been advised that, even given the very favorable loan terms, without the amendment to the Underwriting Limitations, the Project would not be feasible. The extremely reduced rental income that would result from the Underwriting Limitations would be insufficient to even continue to maintain the Project. We urge the TDHCA Board to grant the amendment.

Sincerely,

VICTORY STREET PUBLIC FACILITY
CORPORATION

By: *Rochester R. Blumstein*

President



00032T

October 24, 2007

Ms. Robbye Meyer
Texas Department of Housing
And Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

RE: Victory Apartments (TDHCA # 0032T);
Request for Amendment to Application.

Dear Ms. Meyer:

100 Victory, L.P., the owner of Victory Apartments (the "Project"), has advised us that they are requesting an amendment to its 2000 4% Low Income Housing Tax Credit Application. The amendment is to permit income tiering as follows:

	<u>30% AMGI</u>	<u>40% AMGI</u>	<u>50% AMGI</u>	<u>Total Units</u>
1BR	11	2	5	18
2BR	18	23	11	52
3BR	8	12	10	30
Total Units	37	37	26	100

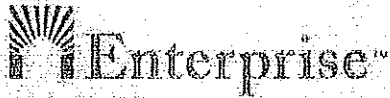
We have been advised that without the amendment, the TDHCA requires that the Project be subject to income limitations of one-third of the units at 0% to 15% of AMGI, one-third at 16% to 30% of AMGI, and one-third at 31% to 40% of AMGI (the "Underwriting Limitations"), because these limitations were proposed in the underwriting analysis of the Project. The Underwriting Limitations were never included in the original Application, but were interpolated from rental income information provided in the Application to show the probable true rental income that would be available from 100 units restricted to 60% AMGI tenants, because those 100 units would also be public housing units.

The current Underwriting Limitations are too restrictive to permit the Project to function.

Public housing units do receive an operating subsidy from HUD. The maximum amount of the operating subsidy is limited by the difference between the rent received and the actual cost of maintaining the unit, without any debt service. Currently, HUD is only paying 82% of the maximum amount of the operating subsidy, so the artificially low rental income established by the Underwriting Limitations would not be made up through operating subsidy.

Victory Street Public Facility Corporation's loan to the Project is a long-term deferred interest HOPE VI loan. No cash flow goes to pay interest on the loan, because of the ENTERPRISE COMMUNITY INVESTMENT, INC.

230 W. Monroe Street ■ Suite 2605 ■ Chicago, IL 60606 ■ 312.803.0800 ■ www.enterprisecommunity.com



October 24, 2007

Page 2

public housing aspect of the Project. Even given the very favorable loan terms, we think that without the amendment permitting the Project to rent to tenants in the 40% and 50% AMGI ranges, the Project would be infeasible. The extremely reduced rental income that would result from the Underwriting Limitations would be insufficient to even continue to maintain the Project.

Enterprise Community Investment Corporation supports this request for an amendment and recommends the TDHCA Board to strongly consider granting the above income tiring change so that the property will have a chance to become financially stable.

Sincerely,

A handwritten signature in cursive script that reads "Jen Buxtin".

Jen Buxtin, Director
Asset Management - Central Region



CITY OF HOUSTON

Housing & Community Development Department

Bill White

Mayor

Richard S. Celli
 Director
 601 Sawyer Street
 Houston, Texas 77007
 T. (713) 868-8300
 F. (713) 868 8414
www.houstonhousing.org

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

RE: Victory Apartments (TDHCA # 0032T) (the "Project");
 Request for Amendment to Application.

Dear Mr. Sheppard:

The City of Houston is the holder of a \$5 million HOME loan secured by the above referenced 100-unit Project, which is sponsored by the Housing Authority. 100 Victory, L.P., the Project Owner, has advised us that it has requested an amendment to its Low Income Housing Tax Credit Application for 4% Housing Tax Credits which was submitted in 2000.

It is our understanding that the Project is currently required to meet the following tenant income restrictions: one-third of the units at 0% to 15% of Area Median Gross Income ("AMGI"), one-third at 16% to 30% of AMGI, and one-third at 31% to 40% of AMGI (the "Current Restrictions"). We further understand that the Current Restrictions were extrapolated from a Rent Schedule which attempted to show that because the Project would be 100% public housing, it would not be receiving the maximum tenant rents for 60% AMGI units, even if all 100 units were restricted to 60% AMGI tenants, as was requested in the Application.

Under the terms of the City's HOME loan, the Project is required to maintain 20 units for families with incomes at or below 50% AMGI and 80 units for families with incomes at or below 60% AMGI. The City's HOME restrictions which are imposed for 15 years serve as an additional layer of assurance that the Project will remain affordable.

After review of this matter, the City, as lender, agrees that the rigid tenant income requirements of the Current Restrictions makes the Project infeasible. The Project consists entirely of public housing, and potential tenants must be drawn in order from the Houston Housing Authority's public housing waiting list. A public housing family's rent is limited to 30% of its gross monthly income, regardless of what the maximum rent for the family's unit might be under the Housing Tax Credit Program. As a result, under the Current Restrictions, a third of the Project might be restricted to 0-15% AMGI tenant incomes,

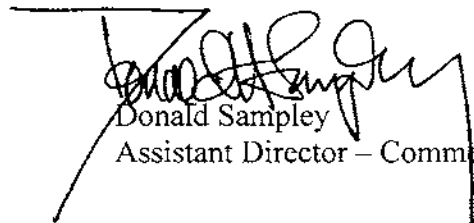
but the average rental income derived from those units will not approach the maximum rents for 15% AMGI tenants, because most of the tenants in that third of the Project will have incomes of substantially less than 15% AMGI and will pay rent accordingly. While an operating subsidy for public housing from HUD is supposed to make up any deficit in operating expenses (not including debt service), the Houston Housing Authority advises us that HUD is currently paying only 82% of the amount needed to make up operating deficits. This factor, combined with unusually low rental income from the tenants under the Current Restrictions, endanger the Project's economic viability.

If the Current Restrictions are amended pursuant to the Project Owner's request, then the tenant income restrictions would be as follows:

	<u>30% AMGI</u>	<u>40% AMGI</u>	<u>50% AMGI</u>	<u>Total Units</u>
1BR	11	2	5	18
2BR	18	23	11	52
3BR	8	12	10	30
Total Units	37	37	26	100

This income tiering plan will permit the Project Owner to offset units leased to extremely low income (and no-income) tenants with units that can be leased to public housing tenants who have somewhat higher incomes and therefore pay higher rents (although not necessarily equal to the maximum tax credit rents for the occupied units). To the extent that the Project Owner relies less upon the HUD operating subsidy, the current cut in operating subsidy payments is mitigated, and the Project's cash flow is healthier. For these reasons we strongly support the Project Owner's request for an amendment of the Current Restrictions and urge that the TDHCA Board grant such amendment.

Sincerely,



Donald Sampley
Assistant Director – Commercial Division

cc: Ernest Etuk
Horace Allison
Bobken Simonians

Alliant Holdings of Preston Trace, LLC
340 Royal Poinciana Way
Suite 305
Palm Beach, FL 33480

November 29, 2007

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 E 11th Street
Austin, Texas 78711
Via Federal Express 7988 1934 3617

Re: Preston Trace Apartments
IDCHA #04105

Dear Mr. Sheppard:

Housing Associates of Frisco, LP has changed the general partners for this partnership. At the time of application for the allocation of tax credits, the partnership had as general partners Housing Associates, Inc., Texas Housing Associates, Inc. and Frisco Housing Development Corporation. The new general partners are Preston Trace Corporation, a wholly owned subsidiary of the Housing Authority of Frisco, and Alliant Holdings of Preston Trace, LLC, a subsidiary of Alliant Capital the syndicator and limited partner of the partnership.

The substitution of Preston Trace Corporation for Frisco Housing Development Corporation has been approved by the Agency previously. Preston Trace Corporation is a subsidiary of a nonprofit and is the managing general partner.

Housing Associates, Inc. experienced financial difficulties unrelated to this project during the rehabilitation period. These difficulties included defaults under the conditions of other partnership agreements. As a result, Housing Associates was in default under the terms of the partnership agreement on this project and was subsequently removed and replaced by Alliant.

Because of Housing Associates financial difficulties, Texas Housing Associates, Inc declined to continue participate in this project as well. Texas Housing Associates (THA), Inc was registered as a Historically Underutilized Business (HUB) in Texas at the time of the application.

We request that the Agency allow Housing Associates of Frisco, LP to forgo providing a HUB as a general partner. The initial request for this change was made on February 23, 2006. The managing general partner is a wholly owned subsidiary of the local Housing Authority. The general contractor used minority subcontractors (although not registered

HUBs) for at least 30% of the rehabilitation work including concrete work and plumbing so minority contracting goals were achieved.

In the 2004 competitive tax credit allocation round these were the final scores for the applications receiving allocations in Region 3 – Dallas and Fort Worth.

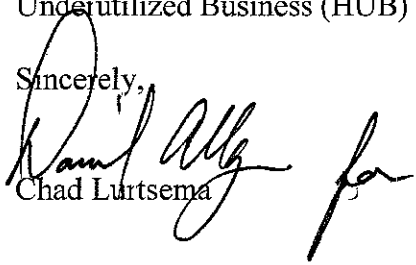
Proj #	Name	Score	At Risk?
04105	<i>Preston Trace</i>	<i>146</i>	<i>Yes</i>
04147	Shiloh Village	112	Yes
04288	Briarwood	91	Yes
04026	Oak Timbers	150	No
04058	Spring Oaks	141	No
04109	Frazier Fellowship	140	No
04118	Churchill at Commerce	139	No
04089	Villas of Forest Hill	138	No
04157	Samaritan House	137	No
04093	Villas of Seagoville	137	No
04028	Heritage Park	130	No
04151	Renaissance Courts	129	No
04222	Primrose at Highlands	129	No

The following table shows that, after loss of the 3 points awarded for use of a HUB the ranking of applications doesn't change, so this application would have received an allocation without these points.

Proj #	Name	Score	At Risk?
<i>04105</i>	<i>Preston Trace</i>	<i>143</i>	<i>Yes</i>
04147	Shiloh Village	112	Yes
04288	Briarwood	91	Yes
04026	Oak Timbers	150	No
04058	Spring Oaks	141	No
04109	Frazier Fellowship	140	No
04118	Churchill at Commerce	139	No
04089	Villas of Forest Hill	138	No
04157	Samaritan House	137	No
04093	Villas of Seagoville	137	No
04028	Heritage Park	130	No
04151	Renaissance Courts	129	No
04222	Primrose at Highlands	129	No

We ask that the board approve the elimination of the participation of a Historically Underutilized Business (HUB) in the development ownership partnership.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad Lurtsema", with a stylized flourish extending to the right.

Chad Lurtsema



October 12, 2007

Mr. Michael Gerber, Executive Director
TDHCA
221 East 11th Street
Austin, TX 78701

RE: Churchill at Commerce Apartment Community
TDHCA File No: 04118
Application for Amendment

Dear Mr. Gerber:

At its August 23rd meeting, the TDHCA Board considered and tabled our request for an amendment to the 9% Housing Tax Credit application for Churchill at Commerce Apartment Community. The request is now scheduled to be considered at the November 8th Board Meeting. Prior to that meeting we would like to reach agreement with staff concerning a method of curing the primary issue, which we believe to be the reduction in the area of the Club Building by 374 square feet. Our purpose is to find a solution to this matter which will be acceptable to the TDHCA staff so that a recommendation can be made to the Board that penalties for failure to adhere to obligations be waived.

Enclosed are architectural drawings of a proposed additional community building which contains 443 square feet of space (384 sf "flex" area and 59 sf porch area) which we offer to build on site to increase the amount of common area to exceed that shown in the original application. The building would be available for meetings, classes, parties, and recreational activities.

We believe that the construction of the proposed additional community building will fulfill the requirements of the common area contained in the original application. The anticipated cost of this additional building will be \$30,000. We are concerned about the fact that construction of an additional community building will create several issues. The additional building will be a duplication of the existing clubhouse and community room, but no additional amenities will be realized that benefit tenants. In addition, construction will create disruption and inconveniences to the existing tenants. Construction will negatively influence curb appeal and leasing efforts and create life safety issues that are associated with construction in a fully occupied family community. However, if TDHCA staff and the Board require that the additional building be constructed we will do so. We sincerely hope that both the TDHCA staff and the Board will see this proposal as a gesture of good faith to do our best to carry out the representations made in the original application for tax credits.

In the alternative, if the TDHCA agrees with us that the existing community building on the site is completely adequate for all purposes discussed in the application, and that the proposed



additional community building is not necessary for the development, then we are willing to make a donation to the TDHCA's Housing Trust Fund of \$30,000 in lieu of constructing the additional community building.

A second matter is included in the pending application, and that is the modification of the design of four residential buildings on site from two-story to one-story buildings. We would like to point out that this change was obviously not motivated by cost cutting, since units in one-story buildings are more expensive to build than are units in multi-story buildings. The change was an effort to respond to the preference of our intended tenant community for single story living. Churchill at Commerce is a family development, and many tenants favor single story housing in family developments because it is quieter than stacked apartments. In order to meet our tenants' expectations and preferences, we altered our design to produce more single story residential buildings on the site. The change in design benefited the development by providing enhanced visitability for handicapped residents. It also contributed to a more pleasing mixture of elevations that gives the site diversity in line and space. The site plan did not suffer from the change because we were using a site which already had 4.22 acres in excess of the area utilized for housing and parking. Although the development only received tax credits for the acquisition cost of 6.918 acres, the application showed that 11.138 acres were included within the development.

Please note that there was absolutely no incentive to change the two-story buildings to one-story buildings other than to improve the development. The design change resulted in higher cost of development. Tax credits had already been awarded, and we were aware that the additional cost of more single story buildings would not translate into more tax credit equity. The only motivation for changing two two-story buildings to four one-story buildings was to make Churchill at Commerce a better place to live.

We hope that you will agree that our good faith effort to restore the full amount of common area space to the development through building an additional \$30,000 community building, or to make an equivalent donation to the Housing Trust Fund, plus the numerous extra amenities that we provided for the development that were not included in the application (1.5 acre soccer field; children's playground with equipment; microwave ovens; Energy Star Kitchen Appliances; and insulation at R-15 for walls and R-30 for ceilings) more than compensate for the delay in seeking Board approval for changes to the project that only benefit the residents.

We ask your support in requesting that the Board waive adherence to obligations penalties in connection with this amendment request. We understand that the penalties were included in the 2006 QAP to be effective as of December 1, 2006. We did not apply for this amendment prior to that date because we thought the penalties would apply to Applications filed in 2006 and subsequent years and not to a 2004 project. Because of our willingness to resolve the common area issue and in view of the benefit to the project of the building design change, we hope the Board will see fit to waive the penalties.



Please review and provide any comments on the proposed additional community building at your early convenience, along with confirmation that constructing this building on site will cure the issue with regard to too little common area space. Alternatively, please advise whether the TDHCA prefers that we donate \$30,000 to the Housing Trust Fund in lieu of constructing an unnecessary building.

Please do not hesitate to call me at 972.550.7800 extension 222, should you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradley E. Forslund", written in a cursive style.

Bradley E. Forslund

Enclosures

cc: Robbye Meyer
Brooke Boston
Ben Sheppard
Barry Palmer

July 11, 2007

TDHCA
Attn: Ben Sheppard
221 East 11th
Austin, TX 78701

RE: **Churchill at Commerce Apartment Community**
TDHCA File No: 04118
Application Amendment Plan

Dear Mr. Sheppard:

This letter requests an amendment to the 9% Housing Tax Credit Application for Churchill at Commerce Apartment Community (the "Community") that was submitted in 2004. The request for an amendment is being made in response to two Cost Certification – Request for Information letters, both dated May 21, 2007. One letter points out that common area square footage decreased in the Community by more than 11 percent from the common area submitted in the Application. The other letter notes that the number of residential buildings in the Community changed from seven to nine.

Decrease in Common Area and Elimination of One Non-Residential Building:

In the Application, Total Common Area as shown on Exhibit 3 – Activity Overview, Part B – Square Footage and Applicable Fraction Calculation was shown as a total of **3,544** square feet, being primarily the community building at **3,208** square feet, plus one additional common area building at **336** square feet which was designated as a mail and laundry building (*Exhibit 1*). The TDHCA's Multifamily Underwriting Analysis done at the time of the award indicates only 3,208 square feet in common area, (i.e. the clubhouse), and that this community building would include an activity room, management offices, fitness and maintenance facilities, a kitchen, restrooms, and a computer/business center.

The community building, as built, has **2,834** square feet. All of the amenities originally proposed for the community building are included in the building, as built. The difference in the square footage of 374 square feet comes from some value engineering that was done to eliminate unused and awkward space in the original design and in an effort to make the community building more energy-efficient.

The **336** square foot nonresidential building intended for mail and laundry was eliminated, and that function has been included within the community building. This redesign was for the convenience of our family households, because parents can do laundry while keeping an eye on their children who are using the computers in the computer/business center, or playing on the children's playground. Since all of the anticipated amenities are included in the community building and only wasted space and a small nonresidential building have been eliminated, we request that this change to the original Application be approved.

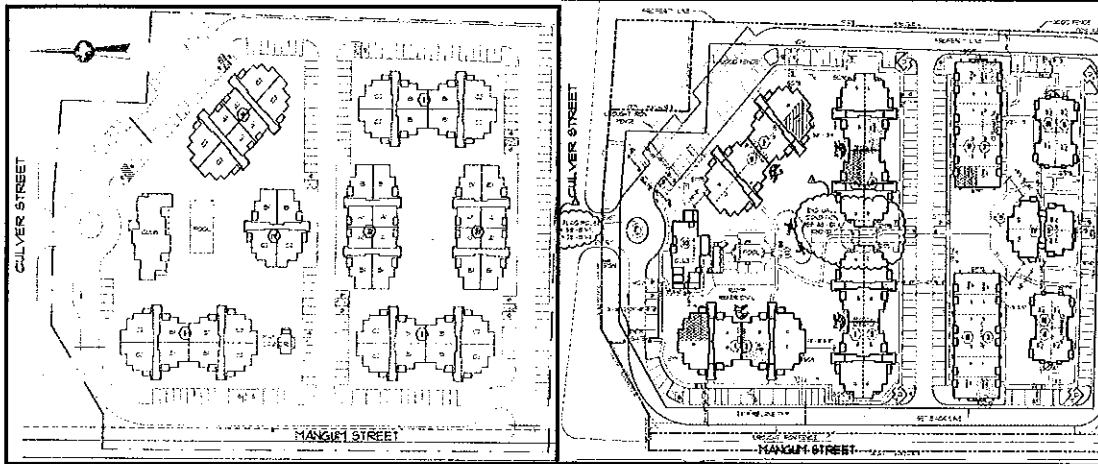
Increase in Number of Residential Buildings:

The Application originally anticipated seven residential buildings, each being two stories in height. A change was made to take two of the buildings and convert them to four one-story buildings, to provide design diversity and variety in the horizontal lines of the buildings. The change in design did not result

in any change in the number or the size of units, and did not result in any change in net rentable area of the Community. Although the cost of building single-story buildings is higher than for two-story buildings, we feel the change was worth the extra cost. The design modification resulted in a more visually appealing community with enhanced accessibility for handicapped tenants. Perimeter fencing with limited access gates keeps the increased number of first floor apartments safe, and the inconveniences of stacked family apartment housing are reduced.

Initial Site Plan

Final Site Plan



Please note the Application provided 11.135 acres with an original contract purchase price of \$400,000 and a final cost at \$300,000. The Department's underwriting report only gives credit for 6.918 acres at \$248,447.

1.5 acres of the additional land mentioned above was used to construct a fenced soccer field for the tenants' recreational use at a cost of \$16,374.

Recreation Facilities – Fenced Soccer Field
\$16,374



Additionally, the Community now boasts a children's playground with equipment that was not included in the original Application; cost \$10,000. Other amenities that were added to the Community post-Application include built-in microwave ovens, cost \$16,500, Energy Star Kitchen Appliances, incremental cost \$2,500, and insulation of R-15 wall systems and R-30 ceiling systems. **Total cost for the Additional Amenities was over \$45,000.**

- Built-In Microwave Ovens
 - Energy Star or equivalently rated Kitchen Appliances
- \$16,500 + \$2,500**
- Designated Playground & Equipment
- \$10,000**



In addition, please consider the additional square footage provided to other Churchill Residential developments. Outlined below is an exhaustive list that illustrates that on all other tax credit communities developed by Churchill Residential an aggregate of 2,891 square feet of additional space has been provided. This is well in excess of the 374 square foot reduction at Churchill at Commerce which was made for energy efficiency and tenant convenience purposes.

<u>CHURCHILL AT LONGVIEW</u>	<u>Application</u>	<u>Cost Cert</u>	<u>RSF</u>	<u>Common</u>
Rentable SF	153,680	153,680	0	
Common SF	4,724	5,000		276
<u>EVERGREEN AT MESQUITE</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	170,288	170,288	0	
Common SF	5,788	6,650		862
<u>EVERGREEN AT KELLER</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	203,800	203,800	0	
Common SF	7,500	7,500		0
<u>EVERGREEN AT LEWISVILLE</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	180,975	182,075	1,100	
Common SF	8,635	8,646		11
<u>EVERGREEN AT PLANO</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	206,250	206,000	-250	
Common SF	8,700	9,335		635
<u>CHURCHILL AT PINNACLE PARK</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	192,192	192,192	0	
Common SF	4,408	4,665		257
<u>LONGVIEW SENIOR</u>	<u>Application</u>	<u>Cost Cert</u>		
Rentable SF	85,400	85,400	0	
Common SF	3,735	3,735		0
SUBTOTAL			850	2,041
				2,891
<u>CHURCHILL AT COMMERCE</u>	<u>Underwriting Report</u>	<u>Cost Cert</u>		
Rentable SF	98,228	98,298	70	
Common SF	3,208	2,834		-374
TOTAL			920	1,667
				2,587



It is our understanding that under the terms of the 2007 QAP, this request for an amendment to the 9% Application might subject the Developer, Project Owner and related parties to a penalty for failing to adhere to obligations. **We respectfully ask that this penalty, if applicable, be waived.** We think that the penalty should not be applicable because the changes to the Community did not affect the Unit Amenities or the Common Amenities that were agreed to be provided in order to make the Community competitive. In this case, the variations from the original Application benefited the Community by providing a more thoughtfully and efficiently designed community building with all the promised amenities, and a site plan that provides a blend of one and two story buildings. The use of one-story buildings also lessens noise issues that can be a problem with stacked apartment designs. The Community has numerous amenities that were not promised under the Application.

While it is true that this amendment request is being made "after the fact", the TDHCA should recognize that until recently, "after the fact" amendments were the norm, and were even encouraged to avoid multiple trips to the TDHCA Board for amendments as the need became apparent. In view of all of this, we request that no penalty be imposed as a result of this amendment request.

As requested, attached is the check for \$2,500 to process the amendment.

If this amendment is required to go before the TDHCA Board, we request that it be heard at the Board Meeting scheduled for August 23, 2007.

Please do not hesitate to call me at 214.932.1937 should you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Liana Mulvaney", written in a cursive style.

Liana Mulvaney
Managing Member of GP

Enclosures

Exhibit 1

EXHIBIT 1: ACTIVITY OVERVIEW																																																																																																																																
Part B. Square Footage and Applicable Fraction Calculation																																																																																																																																
SECTION 1. AREAS INCLUDED IN THE TOTAL DEVELOPMENT AREA																																																																																																																																
<p>All area calculations should be calculated as the sum of the areas of the floors of the building, measured from the exterior face of exterior studs to the centerline of interior walls or common walls.</p> <p>Gross Building Area (GBA) GBA includes interior corridors, lobbies, basements, mezzanines, utility chases, and elevator shafts. The GBA includes common rooms, swimming pool bathhouses, mechanical rooms, maintenance shops, and storage rooms so long as such spaces are fully enclosed and available for use by or for the benefit of all tenants. These spaces are typically heated and cooled by mechanical HVAC systems. The GBA does not include architectural projections, breezeways, exterior terraces, exterior steps, eaves, areas that are not enclosed by permanent exterior walls, or any area that is not covered by a roof. Painted or finished covered areas that are not substantially enclosed by exterior walls on all sides, such as open porches or other unenclosed roofed areas, are also to be excluded from the calculation of GBA.</p> <p>Net Rentable Area (NRA) To qualify as NRA the space must be available exclusively to the tenant and is typically heated and cooled by a mechanical HVAC system. NRA does not include common hallways, stairwells, elevator shafts, janitor closets, electrical closets, balconies, porches, patios, or other areas not actually available to the tenants for their functioning, nor does NRA include the enclosing walls of such areas.</p>																																																																																																																																
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<p>Provide a description of these additional areas that are excluded from Total Development Area but which may significantly impact the Total Development Cost.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;">Description</th> <th style="width: 20%;">Square Ft.</th> </tr> </thead> <tbody> <tr> <td>Porches, patios, balconies, decks, breezeways, and walkways that are covered by a roof</td> <td style="text-align: right;">27,330</td> </tr> <tr> <td>Porches, patios, balconies, decks that are not covered by a roof</td> <td></td> </tr> <tr> <td>Canopies</td> <td></td> </tr> <tr> <td>Attached garages</td> <td></td> </tr> <tr> <td>Detached garages</td> <td></td> </tr> <tr> <td>Other Areas Excluded from Gross Building Area. Describe:</td> <td style="text-align: right;">765</td> </tr> </tbody> </table>					Description	Square Ft.	Porches, patios, balconies, decks, breezeways, and walkways that are covered by a roof	27,330	Porches, patios, balconies, decks that are not covered by a roof		Canopies		Attached garages		Detached garages		Other Areas Excluded from Gross Building Area. Describe:	765																																																																																																														
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<p>TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS - UNIFORM APPLICATION (ALL HOUSING DEVELOPMENT APPLICATIONS) 04/13/2014 AppPort/Commonwealth 32</p>																																																																																																																																



September 5, 2007

Mr. Michael Gerber
Executive Director
TDHCA
221 East 11th Street
Austin, TX 78701

RE: **Churchill at Commerce Apartment Community**
TDHCA File No: 04118
Application for Amendment

Dear Mr. Gerber:

At its August 23rd meeting, the TDHCA Board considered and tabled our request for an amendment to the 9% Housing Tax Credit application for Churchill at Commerce Apartment Community. The request is now scheduled to be considered at the September 13th Board Meeting. Prior to that meeting we would like to reach agreement with staff concerning a method of curing the primary issue, which we believe to be the reduction in the area of the Club Building by 374 square feet. Our purpose is to find a solution to this matter which will be acceptable to the TDHCA staff so that a recommendation can be made to the Board that penalties for failure to adhere to obligations be waived.

Enclosed are architectural drawings of a proposed additional community building which contains 443 square feet of space (384 sf "flex" area and 59 sf porch area) which we offer to build on site to increase the amount of common area to exceed that shown in the original application. The building would be available for meetings, classes, parties, and recreational activities.

We believe that the construction of the proposed additional community building will fulfill the requirements of the common area contained in the original application. The anticipated cost of this additional building will be \$30,000. We sincerely hope that both the TDHCA staff and the Board will see this proposal as a gesture of good faith to do our best to carry out the representations made in the original application for tax credits.

In the alternative, if the TDHCA agrees with us that the existing community building on the site is completely adequate for all purposes discussed in the application, and that the proposed additional community building is not necessary for the development, then we are willing to make a donation to the TDHCA's Housing Trust Fund of \$30,000 in lieu of constructing the additional community building.

A second matter is included in the pending application, and that is the modification of the design of four residential buildings on site from two-story to one-story buildings. We would like to point out that this change was obviously not motivated by cost cutting, since units in one-story buildings are more expensive to build than are units in multi-story buildings. The change was an effort to respond to the preference of our intended tenant community for single story living. Churchill at Commerce is a family development, and many tenants favor single story housing in family developments because it is quieter than stacked apartments. In order to meet our tenants' expectations and preferences, we altered our design to produce more single story residential buildings on the site. The change in design benefited the development by providing enhanced accessibility for handicapped residents. It also contributed to a more pleasing mixture of elevations that gives the site diversity in line and space. The site plan did not suffer from the change because we were using a site



Mr. Michael Gerber

Page 2 of 2

September 5, 2007

which already had 4.22 acres in excess of the area utilized for housing and parking. Although the development only received tax credits for the acquisition cost of 6.918 acres, the application showed that 11.138 acres were included within the development.

Please note that there was absolutely no incentive to change the two-story buildings to one-story buildings other than to improve the development. The design change resulted in higher cost of development. Tax credits had already been awarded, and we were aware that the additional cost of more single story buildings would not translate into more tax credit equity. The only motivation for changing two two-story buildings to four one-story buildings was to make Churchill at Commerce a better place to live.

We hope that you will agree that our good faith effort to restore the full amount of common area space to the development through building an additional \$30,000 community building, or to make an equivalent donation to the Housing Trust Fund, plus the numerous extra amenities that we provided for the development that were not included in the application (1.5 acre soccer field; children's playground with equipment; microwave ovens; Energy Star Kitchen Appliances; and insulation at R-15 for walls and R-30 for ceilings) more than compensate for the delay in seeking Board approval for changes to the project that only benefit the residents. We ask your support in requesting that the Board waive adherence to obligations penalties in connection with the amendment request scheduled to be decided at the next Board meeting.

Please review and provide any comments on the proposed additional community building at your earliest convenience, along with confirmation that constructing this building on site will cure the issue with regard to too little common area space. Alternatively, please advise whether the TDHCA prefers that we donate \$30,000 to the Housing Trust Fund in lieu of constructing an unnecessary building.

Please do not hesitate to call me at 972-550-7800 extension 222, should you have any questions. Thank you.

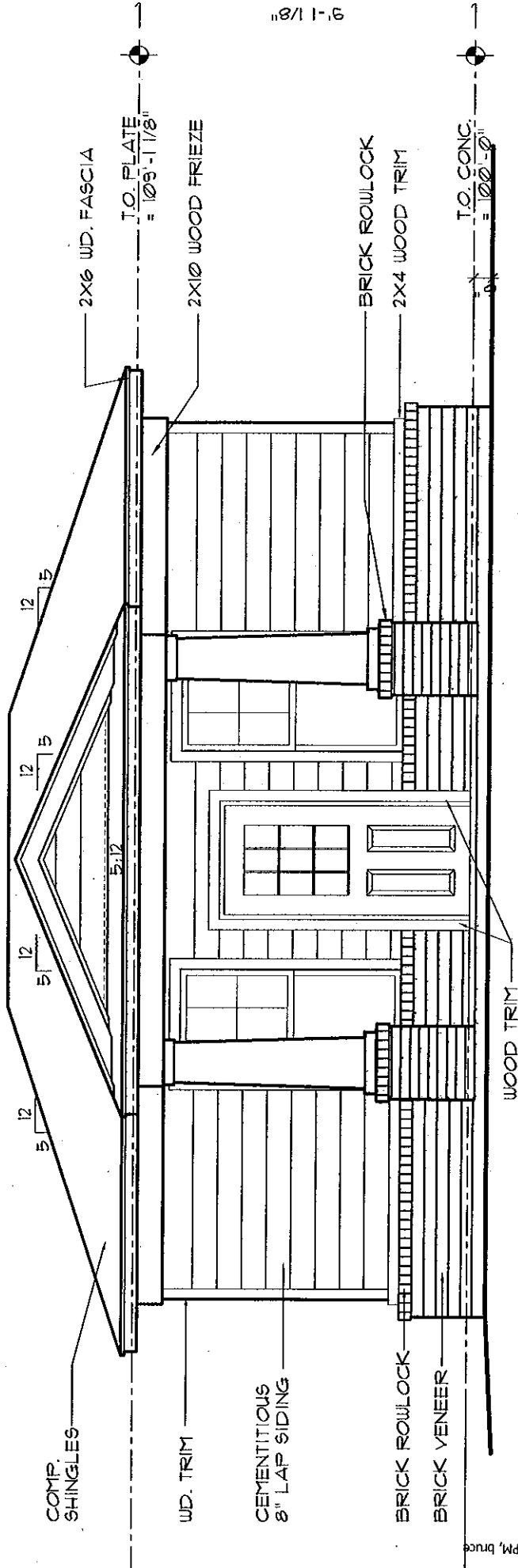
Sincerely,

A handwritten signature in black ink, appearing to read "Bradley E. Forslund", written in a cursive style.

Bradley E. Forslund

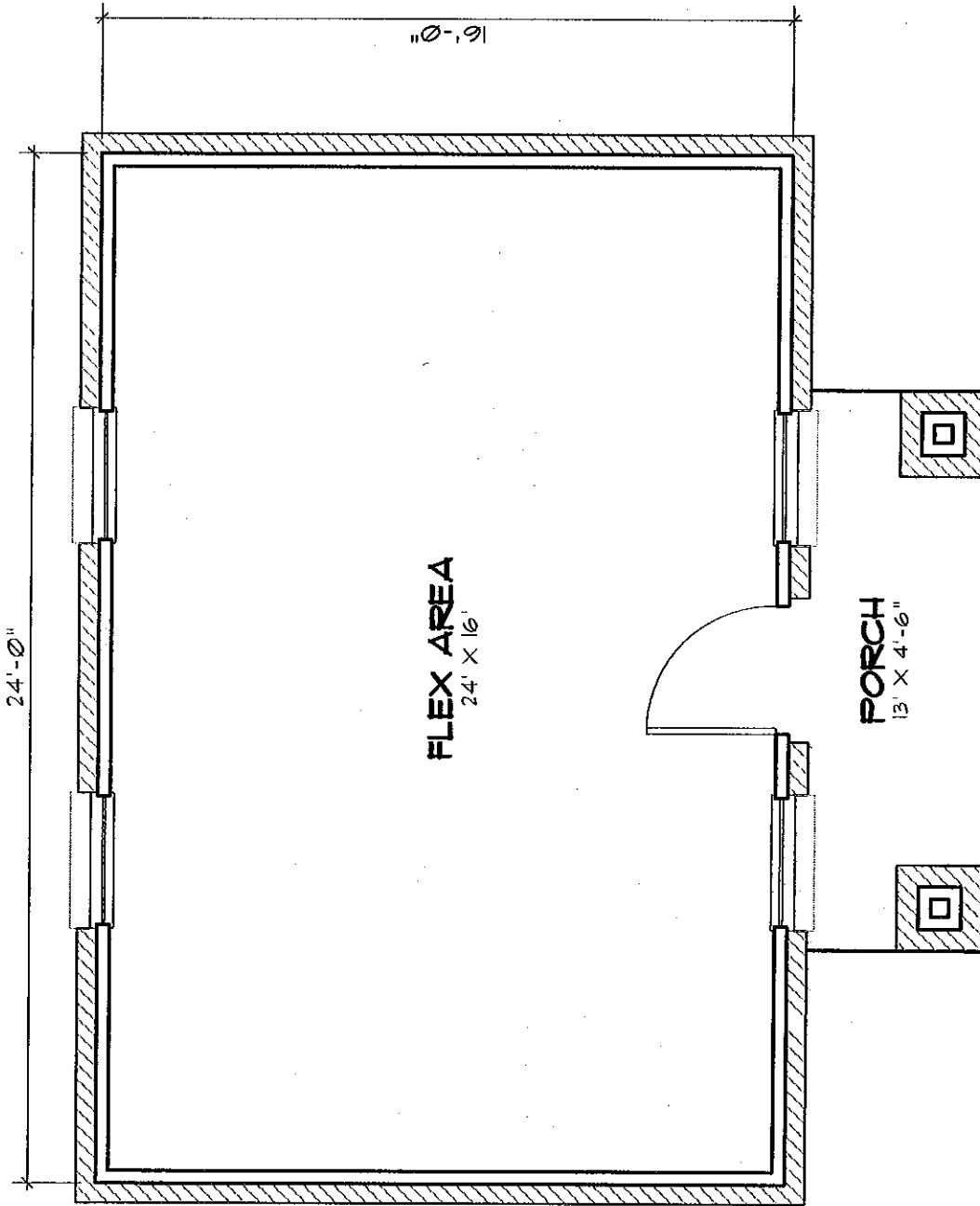
Enclosures

cc: Robbye Meyer
Brooke Boston
Barry Palmer



FRONT ELEVATION

SCALE: 1/4" = 1'-0"



FLEX AREA = 384 SF.
 PORCH AREA = 59 SF.
 TOTAL AREA = 443 SF.

**TROPICAL GARDENS AT BOCA CHICA
LONGBRANCH, L.P.
2806 BOCA CHICA
BROWNSVILLE, TX 78520
956-541-9991 and 972-701-5551
956-541-9992 and 972-701-5562 FAX**

Mr. Ben Sheppard
TDHCA
211 East 11th Street
Austin, TX 77001

November 27, 2007

RE: Request for amendment for Tropical Gardens at Boca Chica; Longbranch, L.P. 04-191 and 07-078, amended request

Dear Ben:

On behalf of the Brownsville Housing Authority, whose affiliate is the sole general partner of Longbranch, L.P., we request a penalty free amendment, if required, for the changes to plans and specifications outlined in our final construction inspection. We believe the project changes noted in the inspection are neither material nor negative and can be approved by staff. In the case of the amenities packages, we have provided equal or greater amenities. A key issue is staff's interpretation that items shown in the plans and specifications but not committed to in threshold or selection criteria for points are also application commitments for physical improvements. As you will note in the report, we have installed many improvements not claimed in threshold or selection criteria, including washer dryer hook ups, carports and 100% exterior masonry. These are substantial unit and common area amenities that carried substantial points not claimed by the applicant. In addition, the net rentable square footage of the units is nearly 1,800 SF more than committed in the application material including the plans and specifications. At hard costs of \$50 per SF this is an additional \$90,000 in cost. We offer this increased living area as a substitute for any deficiencies noted in the construction review.

The unit refrigerators were noted as not Energy Star. We have submitted evidence from the manufacturer that they are equivalent as allowed by the QAP. We did not install self cleaning ovens which is the developer's oversight. We have substituted equal point scoring amenities as substitutions for this unit amenity such as washer dryer hook ups and by providing additional SF of living area. We also provide full time staffing and equipment for the supportive services program not committed in the application. As you will note, we have many more points for unit and common area amenities than those claimed in the application.

The small change to the unit mix is neither material nor negative. There is one less one bedroom and one more two bedroom two bath unit. The concern about the size of the one bedroom has been addressed by submissions of the building plans and certification of the Architect to be compliant at 754 SF. I understand staff concurs with this position.

Page Two
Amendment Submission #2
Tropical Gardens

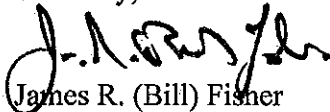
This application was a HUD approved, mixed finance application and includes 58 public housing units in the 158 unit development. The site plan in the application included 8 buildings and eight buildings were constructed. Please note the HUD office in San Francisco reviewed and approved the property plans, as built. There is additional ingress and egress to and from the site, which residents view as positive.

We spent a great deal of time on the issue of perimeter fencing and controlled access gates. Originally the City of Brownsville declined our request for this amenity sighting ownership or dedication of right of way (ROW) for Ash Street and Oak Street, our two primary community roads. They have now agreed they cannot substantiate that position and we will allow us to provide the amenity. We request the board to allow staff to accept this amenity so long as the work is permitted by the COB and has been paid for prior to 12/31/07. We fully intend to install the amenity prior to that date, but request the right to meet the requirement as described above.

The development contains all the required threshold requirements and point scoring totals from units and property amenities to support the original submission scoring and award. Our point total has not changed in any manner that would have affected the award of credits.

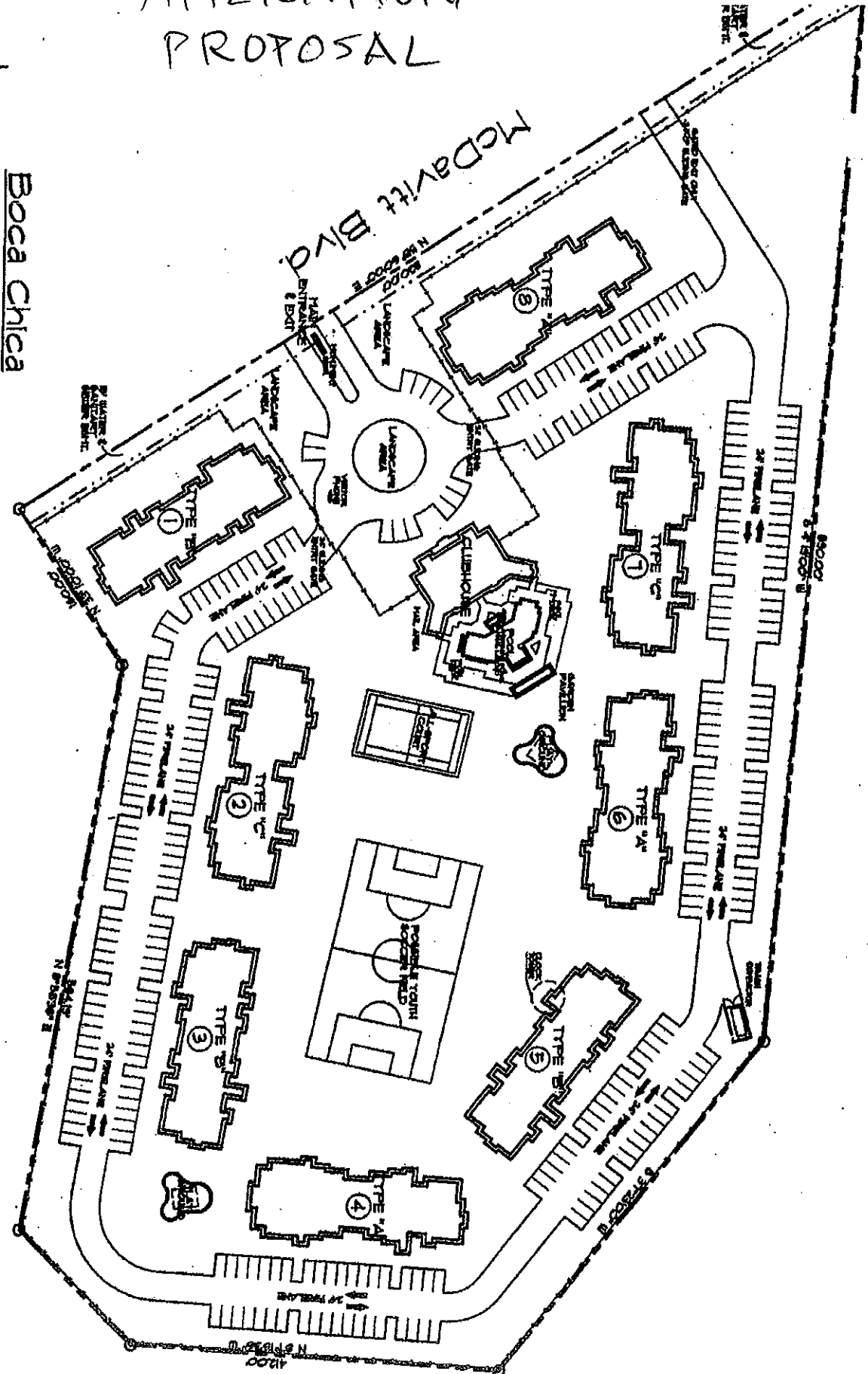
This letter requests that the staff approve these modifications as neither material nor negative. If appropriate, please place us on the board agenda in December for any required board action to finalize our 8609 package. We ask you to approve a penalty free amendment to affirm the changes.

Sincerely,



James R. (Bill) Fisher
For BHA on behalf of Longbranch, L.P.

APPLICATION PROPOSAL



Boca Chica ARCHITECTURAL SITE PLAN

SCALE: 1" = 40'-0"



NOTE: PORTIONS OF THIS SITE LIE IN THE 100 YEAR FLOOD PLAIN. ALL BUILDINGS AND PARKING THAT LIE IN THOSE AREAS WILL MEET THE FLOODING CRITERIA FOR TYPICAL.

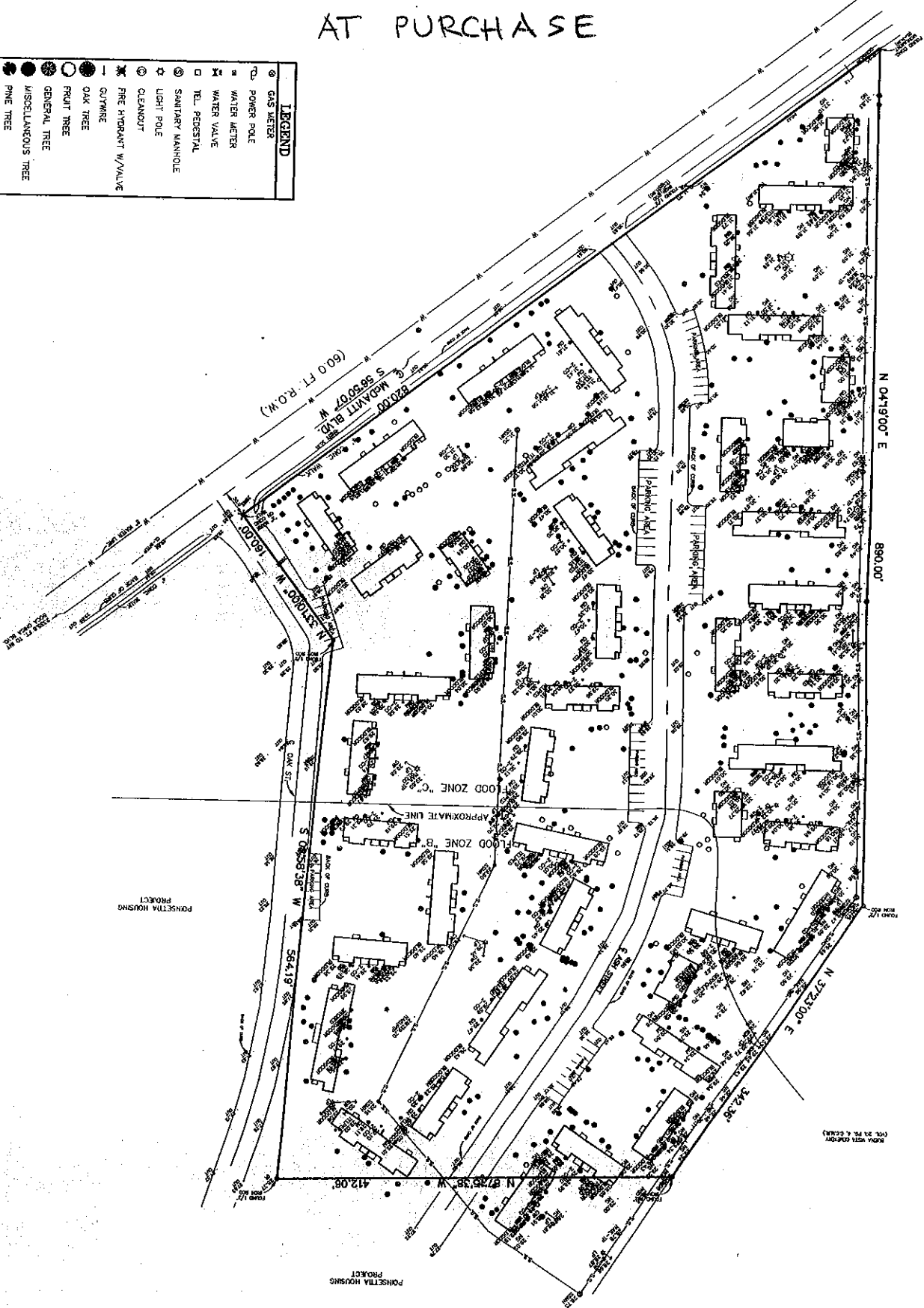
TOTAL UNIT MIX			
UNIT TYPE	SQ. FT.	AMOUNT	
A-1 - ONE BEDROOM/ONE BATH	750 S.F.	35	
B-1/2 - TWO BEDROOM/ONE BATH	950 S.F.	68	
C-1/2 - THREE BEDROOM/TWO BATH	1100 S.F.	55	
	AVG. 955.6 SF	158	

PARKING:	
REQUIRED:	158 UNITS @ 2 FOR THE FIRST 50 UNITS AND 1.75 PER EACH ADDITIONAL UNIT.
TOTAL REQUIRED:	289 SPACES
PROVIDED:	289 SPACES

AT PURCHASE

04191

LEGEND	
⊙	GAS METER
⊙	POWER POLE
⊙	WATER METER
⊙	WATER VALVE
⊙	TEL. PEDESTAL
⊙	SANITARY MANHOLE
⊙	LIGHT POLE
⊙	CLEANOUT
⊙	FIRE HYDRANT W/VALVE
⊙	GYMIRE
⊙	OAK TREE
⊙	FRUIT TREE
⊙	GENERAL TREE
⊙	MISCELLANEOUS TREE
⊙	PINE TREE
⊙	CACTUS



APPLICATION - AS IS

BOUNDARY & TOPOGRAPHIC SURVEY
 12.21 ACRE TRACT OUT OF 10.05 ACRE TRACT & 9.50 ACRE TRACT SHARE 19.
 ESPERITU SANTO GRANT, CAMPBELL COUNTY, MONTANA

AREA WITH EXISTING
 FROM 2014 SURVEY

PONSETTA HOUSING
 PROJECT

PONSETTA HOUSING
 PROJECT

AREA WITH EXISTING
 FROM 2014 SURVEY



**EDINBURG SENIOR TOWERS
CHICORY COURT XXX, L.P.
201 NORTH 13TH STREET
EDINBURG, TX 78560
956-383-1124 and 972-701-5551
956-383-1125 and 972-701-5562 FAX**

Mr. Mike Gerber
Executive Director
TDHCA
211 East 11th Street
Austin, TX 77001

December 1, 2007

RE: Pending amendment for Edinburg Senior Towers; Chicory Court XXX, L.P. 04-193 and 07-079

Dear Mike:

On behalf of the Edinburg Housing Authority, whose affiliate is the sole general partner of Chicory Court XXX, L.P., we requested a penalty free amendment to clear the open items discussed by the TDHCA board at the meeting in November. Attached are the following items for staff review and consideration:

1. Scoring sheets from the original application
2. Scoring comparison for Part 1 Threshold Unit and Common Amenities
3. A scoring comparison for Part II A and Part II B selection criteria
4. Additions note and additions offered if acceptable to staff or the board

As you see, we have fully complied with our amenities commitment. The only selection criteria amenity change was the shuffle board court or horseshoes. We have provided substitute amenities for this one point item with four points of items. We ask that staff confirm our substitutions provide an equivalent for this one amenity.

For the threshold items, we have noted those items provided and those items not provided. Because this development is a rehab, we have provided more than adequate scoring items for the award. In a rehab, these items provided each count as two points. Of the items not provided (even though there are substitutes), the following cannot be provided due to the rehab or the site characteristics:

1. The floor plates cannot be increased to 9 feet from 8 feet
2. The roof does not have shingles but is of an equivalent energy rating efficiency.
3. The property is only 1.3 acres and does not possess the area to install a swimming pool. If acceptable we will make available a spa\whirlpool to add to the amenities as a substitute.

Page Two
Edinburg Amendment Follow up
Mike Gerber, TDHCA

4. There is room in the community room for fitness equipment. The average age at the Towers is 75 years old and 75% of our residents are women. We do not get requests for this amenity. If the board feels more is necessary, we will provide fitness equipment including stair climber, treadmill and elliptical machine.
5. We are providing additional amenities such as van transportation and full time staffing for the activity center. We offer these as additional substitutes for any deficiencies noted.

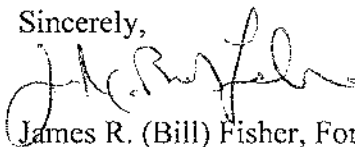
The only remaining issue is the energy ratings of the appliances, dishwashers and refrigerators. Although not fully equivalent, they are very close to the annual energy use forecast for the Energy Star equivalent. As we stated at the November board meeting, this property is not individually metered and all the bills for utilities is paid by the property not paid by the resident. The energy rating or use of this equipment has no effect to the residents of the Towers. We will covenant under the compliance regime to maintain the all bills paid nature of the property, specifically water and electric used by these appliances.

The fundamental issue with this project remains the confusion with staff on rehab versus new construction. We reiterate our position that the Spring 2006 board meeting material confirmed the project to again be a rehab. If that staff-prepared amendment recommendation had stated New Construction, we would have requested this amendment in advance. Never the less, we complied with a complete package of amenities, many more not than offered in the 2004 application list and more than the minimum threshold amenities in the units to maintain our scoring from 2004. I ask that the staff confirm for the board what is still open and what has been offered as substitutes. To the extent staff feels appropriate substitutes have been provided, that the board know that information.

We hope to go into the December meeting knowing any difference with the staff over amenities or threshold, so the board can consider our substitutions. In addition, they will know we have complied with the spirit and intent of the compliance language and grant our amendment penalty free. For any amenity approved to be installed that staff be instructed to release the 8609's so long as the applicant shows a purchase order paid for to comply with that item.

Please let me know if you need additional information. Your cooperation in this matter is appreciated.

Sincerely,



James R. (Bill) Fisher, For EHA on behalf of Chicory Court XXX, L.P.

Part IIB. Points for Additional Common Amenities. Developments providing additional amenities beyond the threshold identified will be awarded points based on the point structure below, not to exceed 6 points. The Applicant will total its points for amenities and then subtract the threshold requirement in order to come up with the point total. (For example, a 200-unit Development would have to accumulate 24 points in Common Amenities in order to net a score of 6, but a 36-Unit Development would only have to accumulate 9 points in order to net a score of 6.) Developments proposing rehabilitation or proposing Single Room Occupancy will receive double points for each item.

Amenities for selection include those items listed in subclauses (I) through (XXIII) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in §50.9(f)(4)(D) of this title. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §50.18(c) of this title and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in the cancellation of a Commitment Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

Select All That Apply:

- Full perimeter fencing with controlled gate access (3 points)
- Gazebo w/sitting area (1 point)
- Accessible walking path (1 point)
- Community gardens (1 point)
- Community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups (1 point);
- Public telephone(s) available to tenants 24 hours a day (2 points);
- A service coordinator office (1 point);
- Barbecue grills and picnic tables – at least one for every 50 Units (1 point)
- Covered pavilion w/barbecue grills and tables (2 points)
- Swimming pool (3 points)
- Furnished fitness center (2 points)
- Equipped Business Center (computer and fax machine) (2 points)
- Game/TV/Community room (1 point)
- Library (separate from the community room) (1 point)
- Enclosed sun porch or covered community porch/patio (2 points)
- Service coordinator office in addition to leasing offices (1 point)
- Senior Activity Room (Arts and Crafts, Health Screening, etc.) – Only Qualified Elderly Developments Eligible (2 points)
- Secured Entry (elevator buildings only) - (1 point)
- Horseshoe or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point)
- Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points)
- Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points)
- Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points)
- Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points)

By: _____

Signature of Applicant/Owner

02/25/04

Date

Its: Vice President of GP

Selection Criteria Parts IIA and IIB--Tab 4G

Our application	Points	What we installed	What we have done in total
X Full Perimeter Fencing with gates	3	X	X
Gazebo with sitting area	1	X	X
Accessible Walking Path	1		
Community Gardens	1	X	X
Community Laundry or hook ups	1	X	X
Public telephone (24 hours)	2	X	X
Service Coordinators Office	1	X	X
Barbecue and tables (1 per fifty units)	1	X	X
Covered Pavillion with grills and table	2		Offered as an addition if necessary
Swimming Pool	3	Not room on site	No room on site
Furnished fitness center	2		Offered as an addition if necessary
Equipped Business Center	2	X	X
Game TV/Community Room	1	X	X
Library (separate from the community room)	1		Offered as an addition if necessary
Enclosed sun porch or covered community patio	2	X	X
Service Coordinators Office in addition to leasing offices	1		
Senior Activity Room	2	X	X
Secured Entry (elevator buildings only)	1	X	X
Horseshoe or shuffle board	1		
Community Dining room with full kitchen	3	X	X
Two childrens playgrounds equipped-Family only	2	Not applicable	Not applicable
Sports Courts--Family Developments only	2	Not applicable	Not applicable
Furnished & staffed Childrens Activity Center--Family only	3	Not applicable	Not applicable
18 Points applicable for award			
19 Points Claimed for award		21	
Not in the 2004 QAP but in future QAP's			
Handicap equipped van and transportation	3	X	X
Full time staff activity director	2	X	X
		26 Points	Total

We fully comply with the requirements of the application including multiple point scoring alternatives to the one not provided [horseshoes or shuffle board]

UNIT AND COMMON AMENITIES -- TAB 4G

Complete Part I and Part II.

Part I.

Unit Amenities and Quality. Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure, not to exceed 12 points in total. Applications involving rehabilitation or proposing single room occupancy will double the points listed for each item, not to exceed 12 points in total. Select All That Apply:

- Checked boxes for: Covered entries (1 point), Nine foot ceilings (1 point), Microwave ovens (1 point), Self-cleaning or continuous cleaning ovens (1 point), Refrigerator with icemaker (1 point), Laundry connections (1 point), Storage room or closet (1 point), Covered patios or covered balconies (1 point), Greater than 75% masonry on exterior (1 point), 12 SEER HVAC or evaporative coolers (3 points), Energy Star or equivalently rated Kitchen Appliances (2 points).

Part II. (Complete Both Part IIA and Part IIB).

Part IIA. Common Amenities Threshold. All Developments, must meet at least the minimum threshold of points to satisfy the Threshold requirement under §50.9(f)(4)(A). To receive additional points for this exhibit, Developments must first provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (iii) of this subparagraph and made available for the benefit of all tenants. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. Applications must meet a minimum threshold of points (based on the total number of Units in the Development) prior to accruing actual points for this exhibit, as follows:

(Check the appropriate box):

- Checked box for: Total Units are between 100 and 149, 12 points are required to meet Threshold;

Part 1 Unit Amenities and Quality

Our application	What we installed	What we have done in total
X Covered entries	1 X	X
X Nine foot ceilings	1 Not applicable due to rehab	
X Microwave Ovens	1 X	X
X Self-cleaning ovens	1 X	X
X Ceiling fixtures in all rooms	1 X	X
X Refrigerators with ice maker	1 X	X
X Laundry connections in every unit	1 Not applicable due to rehab	
X Storage rooms or close 9 sf or greater	1	
X Laundry equipment in every unit	3 No room in the units	
X Thirty year architectural singles	1 Flat tar and gravel	X This is the equivalent
X Covered Patios or balconies	1	
X Covered Parking one per unit	2 X	X (there are only
X 100% masonry on exterior (stucco or cementitious board)	3 X	X 68 spaces on the property)
X 75% masonry on exterior	1	
X Use of energy efficient construct material R-20 minimum	3 All bills paid	
X R-15 Walls/R-30 Ceilings	3 All bills paid	
X 12 SEER HVAC (or equivalent)\evaporative coolers dry climate	3 X	X PTAC units
X Energy Star or equivalent rated Kitchen Appliances	2 All bills paid	
12 Point applicable to award	13	26
13 Points claimed for the award	13	13

We have provided sufficient amenities to meet the points claimed in the application and more than 2 times that amount for a rehab

Part 1 Unit Amenities and Quality					
Our application			What we installed		What we have done in total
X	Covered entries	1	X		X
X	Nine foot ceilings	1	Not applicable due to rehab		
X	Microwave Ovens	1	X		X
X	Self-cleaning ovens	1			
	Ceiling fixtures in all rooms	1	X		X
X	Refrigerators with ice maker	1	X		X
	Laundry connections in every unit	1	Not applicable due to rehab		
X	Storage rooms or close 9 sf or greater	1			
	Laundry equipment in every unit	3	No room in the units		
	Thirty year architectural singles	1	Flat tar and gravel		X This is the equivalent
X	Covered Patios or balconies	1			
	Covered Parking one per unit	2	X		X (there are only
	100% masonry on exterior (stucco or cementious board)	3	X		X 68 spaces on the property)
X	75% masonry on exterior	1			
	Use of energy efficient construct material R-20 minimum	3	All bills paid		
	R-15 Walls/R-30 Ceilings	3	All bills paid		
X	12 SEER HVAC (or equivalent)\evaporative coolers dry climate	3	X		X PTAC units
X	Energy Star or equivalent rated Kitchen Appliances	2	All bills paid		
12	Point applicable to award		13	Rehab score	26
13	Points claimed for the award		13		13

We have provided sufficient amenities to meet the points claimed in the application and more than 2 times that amount for a rehab

**EDINBURG SENIOR TOWERS
CHICORY COURT XXX, L.P.
201 NORTH 13TH STREET
EDINBURG, TX 78560
956-383-1124 and 972-701-5551
956-383-1125 and 972-701-5562 FAX**

Mr. Ben Sheppard
TDHCA
211 East 11th Street
Austin, TX 77001

RE: Request for clarification or an amendment for Edinburg Senior Towers; Chicory Court XXX, L.P. 04-193 and 07-079

Dear Ben:

On behalf of the Edinburg Housing Authority, whose affiliate is the sole general partner of Chicory Court XXX, L.P., we requested a penalty free amendment to clear any confusion due to the pending cost certification regarding the project as an rehabilitation with limited new construction or a new construction development. Although we believe the project file and cost certificate filing provide adequate documentation, we agreed to ask for this amendment to insure our 2007 forward allocation of additional costs was not rescinded. Our file and board approvals allowed the housing authority to proceed as a rehabilitation with limited new construction; real estate analysis feels an amendment is required to complete the cost certification review and issuance of 8609's.

First, we do not believe that the issue affects the award of credits. Edinburg, #04-193, was funded under the at-risk set aside. The next at-risk was also funded, Tropical Gardens at Boca Chica, #04-191, also sponsored by the local public housing authority with Odyssey as the developer.

Second, the confusion, if any, was caused by the department staff and board book material and not by the project sponsor. The Edinburg housing authority wanted funding to rehabilitate their 35 year old senior towers with an allocation of housing tax credits and limited conventional financing. The towers consisted of small efficiency and one bedroom units. The project was pursued from pre-application to shortly before application as a re-habilitation project until staff advised the applicant, see e-mail attached, that threshold size criteria would apply to the development application. The application architect was dispatched to see if the units could be expanded or reconfigured to meet this requirement. When that was not structurally possible, new construction information was quickly added to the application and submitted to the department at the application deadline. The information about a threshold requirement for unit sizes in a rehab from TDHCA was inaccurate. The application submission contained information required for the related party transaction including the improvements and the Property Condition Assessment for a re-habilitation. Because of the inaccurate staff

communication, the application was also no longer eligible for additional acquisition credits for the value of the improvements. It is the applicant's contention the mistake actually led to the project receiving less credits not more credits than necessary to make it financially feasible. Additional rehab work would have been undertaken with the acquisition credits it was eligible to receive.

The issue remained outstanding well past the allocation date of July 30, 2004. In pursuing our allocation letter, staff was unable to issue or allow release of our letter until four and half months later on December 13, 2004, too late for any corrections or dialogue. That date is only 18 days from the IRS mandated carryover and the department's 10% test date. Please remember that submission requires an accountant's audit opinion. During this four and half month wait when we asked about our allocation letter, we were told by staff that underwriting was doing the rehab projects last. We were obviously the last report completed that year. This required the applicant's developer to carry all the project cost until January 2005, because we had to meet the carryover and 10% with the benefit of development financing based upon the tax credit allocation letter.

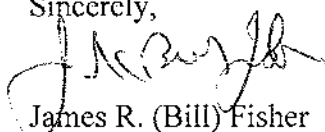
Given the mistake and information from the late underwriting, the EHA board felt they had the right to rehab the property as originally planned in lieu of the cost of demolition and new construction. For this record, the developer advocated for new construction but the decision belonged to the owner, the Edinburg Housing Authority. We fully support their right, EHA, to rehabilitate as executed.

In the request to the board for an extension of the construction loan closing and commencement of construction, the department's own write-up shows the allocation to be rehabilitation/new construction as was executed in the field. We understood any confusion had been remedied and if necessary, approved in this process. I have attached copies of the write up from the board book with this information. This was included in our cost certification and 8609 package submission in August 2007.

The development contains all the required threshold and point scoring and relevant amenities from the original submission scoring other than those affected by new construction versus rehabilitation. Example, non scoring items like 9 foot floor plates versus the 8 foot floor plates already in place. Our point total has not changed or has not changed in a manner that would have affected the award of credits. This application was a HUD mixed-finance application and the construction plans were reviewed and approved by the HUD office in San Francisco.

This letter requests that the board clarify the issue for real estate analysis that an amendment in this circumstance is not required and to complete the 8609 review as a rehabilitation project. In the alternative, we ask you to approve a penalty free amendment to affirm the changes.

Sincerely,



James R. (Bill) Fisher

For EHA on behalf of Chicory Court XXX, L.P.

**UNDERWRITING AMENDMENT VARIANCE GRID
PER THE CONSTRUCTION INSPECTION REPORT**

	Change									
Number of units	None									
Point Scoring	Increase from application									
Types of Units	Some Mix of ones and studios versus 40/60									
Income and rent restrictions	None									
Threshold criteria	None									
Site size	None									
Site plan	One to two buildings									
Unit sizes	<table border="1"> <thead> <tr> <th>Units remained as originally configured</th> <th>SF</th> <th>SF existing</th> </tr> </thead> <tbody> <tr> <td>522</td> <td>522</td> <td>370</td> </tr> <tr> <td>600</td> <td>600</td> <td>511</td> </tr> </tbody> </table>	Units remained as originally configured	SF	SF existing	522	522	370	600	600	511
Units remained as originally configured	SF	SF existing								
522	522	370								
600	600	511								
NRA	Yes Remained: 45,460 SF Underwriting: 57,816 SF									
Parking	Yes Remained the same with addition of carports Less than forecast in new construction									

Providence at Edinburg, HTC No. 04193

Summary of Request: Applicant requests an extension to submit documentation of commencement of substantial construction. Owner received extension to close the construction loan based on delays with HUD processing. Owner believed that the construction loan extension would automatically extend the commencement of construction deadline. Owner reported all tenants have been relocated and demolition has begun. Development is expected to reach 10% completion in May.

Owner: Chicory Court XXX, L.P.
 General Partner: Chicory GP-XXX, LLC
 Developer: ORH Financial, LP (developer); Edinburg Housing Opportunity Corporation (EHOC, co-developer & managing member of GP)
 Principals/Interested Parties: Housing Authority of the City of Edinburg (owner of EHOC); Saleem Jafar (ORH)
 Syndicator: SunAmerica
 Construction Lender: IBC Bank in Brownsville
 Permanent Lender: SunAmerica
 Other Funding: Edinburg Housing Authority
 City/County: Edinburg/Hidalgo
 Set-Aside: At-Risk, Nonprofit
 Type of Area: Urban/Exurban
 ✓ Type of Development: Rehabilitation/New Construction
 Population Served: Elderly Population
 Units: 100 HTC units
 2004 Allocation: \$357,369
 Allocation per HTC Unit: \$3,574
 Extension Request Fee Paid: \$2,500
 Type of Extension Request: Commencement of Substantial Construction
 Note on Time of Request: Request was submitted late in response to contact by staff.
 Current Deadline: December 1, 2005 (construction loan closing extended to 12/15/05 but no extension requested for commencement of construction)
 New Deadline Requested: May 30, 2006
New Deadline Recommended: May 30, 2006
 Prior Extensions: Construction loan closing extended from 6/1/05 to 9/1/05
 Construction loan closing extended from 9/1/05 to 12/15/05
Staff Recommendation: Approve extension as requested.

Bill Fisher

From: Jennifer Joyce [jennifer.joyce@tdhca.state.tx.us]
Sent: Friday, February 27, 2004 2:19 PM
To: 'Bill Fisher'
Subject: RE: Rehab

Bill, I apologize for the delay in this. We ruled that it MUST be adjusted to meet threshold.

Jen Joyce
Program Analyst
Texas Dept. of Housing and Community Affairs
(512) 475-3995

-----Original Message-----

From: Bill Fisher [mailto:bfisher@providentrealty.net]
Sent: Tuesday, February 24, 2004 2:48 PM
To: 'Jennifer Joyce'
Subject: FW: Rehab

Have you responded to this e-mail???

Thanks,

Bill Fisher

Vice President
Provident Odyssey Acquisitions LLC
975 One Lincoln Center
5400 LBJ Freeway
Dallas, TX 75240
972-239-8500 X-120
972-239-8373 Fax
bfisher@providentrealty.net
www.providentrealty.net

Bill

-----Original Message-----

From: Bill Fisher [mailto:bfisher@providentrealty.net]
Sent: Wednesday, February 18, 2004 11:24 AM
To: 'Jennifer Joyce'
Subject: Rehab

If the units being rehabbed are less than mandated minimum size do they need to be increased in size through the rehab process to the state mandated minimum. Ex.: Efficiencies are limited to 500 sf for seniors. If the existing units are only 400 sf do the units need to be increased in size in order for the app to meet threshold??

04193

Thank You,

Bill Fisher

*Provident Odyssey Partners, LP
975 One Lincoln Centre
5400 LBJ Freeway
Dallas, Texas 75240
972-239-8500
Fax: 972-239-8373*

UNIT AND COMMON AMENITIES - TAB 4G

Complete Part I and Part II.

Part I.

Unit Amenities and Quality. Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure, not to exceed 12 points in total. Applications involving rehabilitation or proposing single room occupancy will double the points listed for each item, not to exceed 12 points in total. Select All That Apply:

- PTS 2 2 2 6 6
- REWARDS
- X Covered entries (1 point)
- X Nine foot ceilings (1 point)
- X Microwave ovens (1 point)
- X Self-cleaning or continuous cleaning ovens (1 point)
- X Ceiling fixtures in all rooms (globe with ceiling fan in all bedrooms) (1 point)
- X Refrigerator with icemaker (1 point)
- X Laundry connections (1 point)
- X Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point)
- X Laundry equipment (washers and dryers) in units (3 points)
- X Thirty year architectural shingle roofing (1 point)
- X Covered patios or covered balconies (1 point)
- X Covered parking (including garages) of at least one covered space per Unit (2 points)
- X 100% masonry on exterior, which can include stucco and cementious board products, excluding efis (3 points)
- X Greater than 75% masonry on exterior, which can include stucco and cementious board products, excluding efis (1 points)
- X Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points)
- X R-15 Walls / R-30 Ceilings (rating of wall system) (3 points)
- X 12 SEER HVAC or evaporative coolers in dry climates (3 points)
- X Energy Star or equivalently rated Kitchen Appliances (2 points)

← 13 POINTS →

Part II. (Complete Both Part IIA and Part IIB).

Part IIA. Common Amenities Threshold. All Developments, must meet at least the minimum threshold of points to satisfy the Threshold requirement under §50.9(f)(4)(A). To receive additional points for this exhibit, Developments must first provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (iii) of this subparagraph and made available for the benefit of all tenants. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. Applications must meet a minimum threshold of points (based on the total number of Units in the Development) prior to accruing actual points for this exhibit, as follows:

(Check the appropriate box):

- Total Units are less than 40, 3 points are required to meet Threshold;
- Total Units are between 40 and 76, 6 points are required to meet Threshold;
- Total Units are between 77 and 99, 9 points are required to meet Threshold;
- Total Units are between 100 and 149, 12 points are required to meet Threshold;
- Total Units are between 150 and 199, 15 points are required to meet Threshold;
- Total Units are more than 200, 18 points are required to meet Threshold.

Points Requested by Applicant:

Pre-Application	Application
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(C) Unit Amenities and Quality. Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xviii) of this subparagraph, not to exceed 12 points in total. Applications involving rehabilitation or proposing single room occupancy will double the points listed for each item, not to exceed 12 points in total.

12	12
----	----

- (i) Covered entries (1 point);
- (ii) Nine foot ceilings (1 point);
- (iii) Microwave ovens (1 point);
- (iv) Self-cleaning or continuous cleaning ovens (1 point);
- (v) Ceiling fixtures in all rooms (globe with ceiling fan in all bedrooms) (1 point);
- (vi) Refrigerator with icemaker (1 point);
- (vii) Laundry connections (1 point);
- (viii) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);
- (ix) Laundry equipment (washers and dryers) in units (3 points);
- (x) Thirty year architectural shingle roofing (1 point);
- (xi) Covered patios or covered balconies (1 point);
- (xii) Covered parking (including garages) of at least one covered space per Unit (2 points);
- (xiii) 100% masonry on exterior, which can include stucco and cementitious board products, excluding efis (3 points);
- (xiv) Greater than 75% masonry on exterior, which can include stucco and cementitious board products, excluding efis (1 points);
- (xv) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points).
- (xvi) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);
- (xvii) 12 SEER HVAC or evaporative coolers in dry climates (3 points);
- (xviii) Energy Star or equivalently rated Kitchen Appliances (2 points)

(D) Common Amenities. All Developments, must meet at least the minimum threshold of points to satisfy the Threshold requirement under §50.9(f)(4)(A). To receive additional points for this exhibit, Developments must first provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (iii) of this subparagraph and made available for the benefit of all tenants. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit.

Threshold
met

Threshold
met

(i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) prior to accruing actual points for this exhibit, as follows:

(I) Total Units are less than 40, 3 points are required to meet Threshold;

(II) Total Units are between 40 and 76, 6 points are required to meet Threshold;

(III) Total Units are between 77 and 99, 9 points are required to meet Threshold;

(IV) Total Units are between 100 and 149, 12 points are required to meet Threshold;

(V) Total Units are between 150 and 199, 15 points are required to meet Threshold;

(VI) Total Units are more than 200, 18 points are required to meet Threshold.

(ii) Points for additional amenities. Developments providing additional amenities beyond the threshold identified in clause (i) of this subparagraph will be awarded points based on the point structure below, not to exceed 6 points. The Applicant will total its points for amenities and then subtract the threshold requirement in order to come up with the point total. (For example, a 200-unit Development would have to accumulate 24 points in Common Amenities in order to net a score of 6, but a 36-Unit Development would only have to accumulate 9 points in order to net a score of 6.) Developments proposing rehabilitation or proposing Single Room Occupancy will receive double points for each item. (Continued on next page)

(iii) Amenities for selection include those items listed in subclauses (I) through (XXIII) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in §50.9(f)(4)(D) of this title. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population.

✓ (I) Full perimeter fencing with controlled gate access (3 points)

✓ (II) Gazebo w/sitting area (1 point)

(III) Accessible walking path (1 point)

✓ (IV) Community gardens (1 point)

✓ (V) Community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups (1 point);

(VI) Public telephone(s) available to tenants 24 hours a day (2 points);

~~(VII) A service coordinator office (1 point);~~

✓ (VIII) Barbecue grills and picnic tables – at least one for every 50 Units (1 point)

(IX) Covered pavilion w/barbecue grills and tables (2 points)

(X) Swimming pool (3 points)

(XI) Furnished fitness center (2 points)

✓ (XII) Equipped Business Center (computer and fax machine) (2 points)

✓ (XIII) Game/TV/Community room (1 point)

(XIV) Library (separate from the community room) (1 point)

(XV) Enclosed sun porch or covered community porch/patio (2 points)

(XVI) Service coordinator office in addition to leasing offices (1 point)

✓ (XVII) Senior Activity Room (Arts and Crafts, Health Screening, etc.) – Only Qualified Elderly Developments Eligible (2 points)

(XVIII) Secured Entry (elevator buildings only) - (1 point)

(XIX) Horseshoe or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point)

(XX) Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points)

(XXI) Two Children’s Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points)

(XXII) Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points)

(XXIII) Furnished and staffed Children’s Activity Center - Only Family Developments Eligible (3 points)

Pre-Application	Application
NOTE: Do NOT include points for Threshold. Only include Points for the Additional Amenities	NOTE: Do NOT include points for Threshold. Only include Points for the Additional Amenities
<u>POINTS</u>	<u>POINTS</u>
<u>6</u>	<u>6</u>

REWARD (points)

22 TOTAL POINTS

12 Threshold

10 extra

also provided

A VAN

Handicapped Equipped w/Transportation Service

	Points Requested by Applicant:	
	Pre-Application	Application
(E) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing and the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the first day of the Application Acceptance Period (4 points).	<u>0</u>	<u>0</u>
(F) The Development is a mixed-income Development comprised of both market rate Units and qualified tax credit Units. Points will be awarded to Developments with a Unit based Applicable Fraction which is no greater than: (i) 80% (8 points); or, (ii) 85% (6 points); or, (iii) 90% (4 points); or (iv) 95% (2 points).	<u>2</u>	<u>0</u>
(G) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).	<u>0</u>	<u>0</u>
(8) Sponsor Characteristics. Evidence that a HUB, as certified by the Texas Building and Procurement Commission, has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2004 and renewable after that date. (3 points)	<u>2</u>	<u>0</u>
(9) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 30% or more of the Units in the Development have more than 2 bedrooms (1 point).	<u>1</u>	<u>0</u>
(10) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph. (A) Applicants will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).	<u>2</u>	<u>2</u>

Points Requested by
Applicant:

Pre-Application	Application
6	6

(B) The Applicant must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this subparagraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applications will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs, youth programs; scholastic tutoring; social events and activities; senior meal program; home-delivered meal program; community gardens or computer facilities; any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.

Points Requested by
Applicant:

Pre-
Application Application

(11) Tenant Characteristics – Populations with Special Needs. Evidence that the Development is designed for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist the homeless tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, as may be amended from time to time. All of the items described in subparagraphs (A) through (E) of this paragraph must be submitted. Points will be awarded consistent with subparagraph (F) of this paragraph:

0 0

(A) a detailed narrative describing the type of proposed housing;

(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;

(C) a marketing plan designed to attract qualified tenants and housing providers;

(D) a list of supportive services; and

(E) adequate additional income source to supplement any anticipated operating and funding gaps

(F) Points will be awarded as follows:

(i) If all Units in the Development are designed solely for transitional housing for homeless persons, 22 points will be awarded; or

(ii) If at least 25% of the Units in the Development are designed for transitional housing for homeless persons, 15 points will be awarded.

Points Requested by Applicant:

Pre-Application	Application
-----------------	-------------

(12) Low Income Targeting Points for Serving Residents at 40% and 50% of AMGI (up to 8 points). An Application may qualify for points under subparagraph (C) of this paragraph. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable tax credit rents at the rent-restricted AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA.

5	2
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(A) No more than 40% of the total number of low income units (including Units at 60% and 30% of AMGI) will be counted as designated for tenants at or below 50% of the AMGI for purposes of determining the points in the 50% and 40% AMGI categories. No more than 15% of the total number of low income targeted units will be counted as designated for tenants at 40% of the AMGI for purposes of determining the points in the 40% AMGI categories. For purposes of calculating "Total Low Income Targeted Units" for this exhibit, Units at 30% and 60% of AMGI are also included.

(B) In the table below no Unit may be counted twice in determining point eligibility. Use normal rounding to the hundredth to calculate the percentages, points and "Total Points" for 40% and 50% Units. In calculating the percentages, the denominator includes every low income Unit in the Development, not just the 40% and 50% Units. Normal rounding disregards all digits that are more than one decimal place past the digit rounded; therefore, the thousandths place must not be rounded prior to rounding to the hundredth, e.g. 35.0449% equals 35.04%, not 35.05%. To calculate "Rounded Total Points" disregard the hundredth place in "Total Points" and round normally, eg. 7.50 equals 8 and 7.49 equals 7. The final total points requested must be a whole number consistent with this rounding methodology.

(C) Developments should be scored based on the structure in the HTC Application Exhibit. Only Developments located in counties whose AMGI is below the statewide AMGI, may use Weight Factor B. All other Applicants are required to use Weight Factor A. (Max 8 points).

Points Requested by Applicant:

Pre-Application Application

(13) Low Income Targeting Points for Serving Residents at 30% of AMGI (up to 12 points). Applications that propose Units with rents set at 30% AMGI and reserved for occupancy by extremely low-income (those earning annual gross incomes of 30% or less of the AGMI) will be awarded up to 12 points. Developments must have a source of financing for the 30% units. Applicant must submit evidence that the proposed Development has either received development - based rental assistance from a governmental or non-governmental entity, which does not have an identity of interest with the Applicant (with the exception of Applications involving Public Housing Authorities); or received an allocation of funds for on-site Development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202, HUD Section 811 and HUD Section 8, and must be in the form of a grant or a forgivable loan (with the exception of Applications involving Public Housing Authorities). Points will be determined on a sliding scale based on the percentage of 30% units. The Development must have already applied for funding from the funding entity. Evidence at the application stage shall include a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. In order to qualify for these points, the Applicant must provide a 5 year rental assistance contract for development-based vouchers for each 30% Unit or grant funds of \$12,500 per 30% Unit. Use normal rounding.

12	12
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- (A) 3% to 5% of total Development Units at 30% AMGI receives 8 points; or
- (B) 6% to 8% of total Development Units at 30% AMGI receives 10 points; or
- (C) 9% to 10% of total Development Units at 30% AMGI receives 12 points

Points Requested by
Applicant:
Pre-Application Application

(14) Leveraging from local and private resources. An Application may qualify for points under only one of subparagraphs (A) or (B) of this paragraph. However, if an Applicant has requested points under paragraph (13) of this section, the Application is not eligible to receive points under this paragraph. (maximum of 9 points) [2306.6710(b)(1)(E)]

9 0

(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202, HUD Section 811 and HUD Section 8 and must be in the form of a grant or a forgivable loan. In-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points. Points will be determined on a sliding scale based on the amount per Unit from outside sources. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. (up to 9 points).

+ 9
WE HAVE
TO
PROJECT
BASED
WORKING
FOR
10 YRS.
Maximum

- (i) A contribution of \$500 to \$1,000 per Low Income Unit receives 3 points; or
- (ii) A contribution of \$1,001 to \$3,500 per Low Income Unit receives 6 points; or
- (iii) A contribution of \$3,501 to \$6,000 per Low Income Unit receives 9 points; or

Points Requested by Applicant:

Pre-Application	Application
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(B) Evidence that the proposed Development is partially funded by development-based Housing Choice or rental assistance vouchers from a governmental or non-governmental entity for a minimum of five years. Such entity cannot have an identity of interest with the Applicant with the exception of Applications involving Public Housing Authorities. Evidence at the time the Application is submitted must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. (up to 9 points).

9	0
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- (i) Development-Based Vouchers for 3% to 5% of the total Units receives 3 points; or
- (ii) Development-Based Vouchers for 6% to 8% of the total Units receives 6 points; or
- (iii) Development-Based Vouchers for 9% to 10% of the total Units receives 9 points.

(15) Length of Affordability Period. [In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Development Owners that are willing to extend the affordability period for a Development beyond the 30 years required in the Code may receive points as follows:

6	6
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- (A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (3 points); or
- (B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (6 points)

(16) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points).

5	5
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Points Requested by Applicant:	
Pre- Application	Application

(17) Pre-Application Points. Applications which submitted a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 7 points. To be eligible for these points, the Application must:

7	7
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(A) be for the identical site as the proposed Development in the Pre-Application;

(B) have met the Pre-Application Threshold Criteria;

(C) be serving the same target population (family or elderly) as in the Pre-Application in the same Set-Asides; and

(D) be awarded by the Department an Application score that is not more than 5% greater or less than the number of points awarded by the Department at Pre-Application, with the exclusion of points for support and opposition under subsections (g)(2) and (g)(6)(C) of this title. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

(i) to request the Pre-Application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for changing the point structure outside the 5% range from Pre-Application to Application; or

(ii) to request that the Pre-Application points be forfeited and that the Department evaluate the Application as requested in the self-scoring sheet.

(18) Point Reductions.

(A) Penalties will be imposed on an Application if the Applicant has requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. Extensions that will receive penalties are those extensions related to the submission of the carryover and the closing of the construction loan as identified in §50.21 of this title. For each extension request made, the Applicant will be required to pay a \$2,500 extension fee as provided in §50.21(k) of this title and will receive a 2 point deduction for not meeting the Carryover deadline and a 5 point deduction for not meeting the closing of the construction loan deadline. Subsequent extension requests after the first extension request made for each development from the preceding round for these two deadlines will not result in a further point reduction than already described. No penalty points will be deducted for extensions that were requested on developments that involved rehabilitation or in which the Department is the primary lender.

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Points Requested by Applicant:

Pre-Application	Application
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(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for its failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application, must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.

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TOTAL POINTS REQUESTED

151	145
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DEVELOPMENT CERTIFICATION FORM - TAB 3A

(Development Owner, or entity having controlling interest in the Development Owner, must complete this form.)

Name of Development: Providence at Edinburg

A. Basic Amenities

I (We) certify that we will satisfy at least the minimum point threshold for amenities as further described in §50.9(g)(7)(D) of the QAP and in TAB 4G (Common Amenities). The amenities selected will be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use, then the amenity is not included among those provided to complete this exhibit. I (We) also understand that any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

B. Unit Amenities

I (We) certify that the Development will have all of the following Unit Amenities. I (We) understand that if fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. I (We) also understand that any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

- Computer line/phone jack available in all bedrooms (only one phone line needed)
- Mini blinds or window coverings for all windows
- Dishwasher and Disposal (not required for TX-USDA-RHS Developments)
- Refrigerator
- Oven/Range
- Exhaust/vent fans in bathrooms
- Ceiling fans in living areas and bedrooms
- Be designed in accordance with International Building Code.

C. Texas Property Code

I (We) certify that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere at a minimum to the International Building Code or other locally adopted building codes.

D. Compliance with State and Federal Laws

I (We) certify that Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); and the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.).

E. Attempting to Ensure Involvement of Minority Owned Businesses

I (We) certify that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit a report at least once in each 90-day period following the date of the Commitment Notice until the Cost Certification is submitted, in a format proscribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses.

F. Units for Persons with Disabilities

I (We) certify that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8. Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3-8 of the Uniform Federal Accessibility Standards (UFAS), meets this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or visions impairments. Additionally, in Developments where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (ie: one bedroom, two bedroom, three bedroom) must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. At the construction loan closing, a certification from an accredited architect will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for individuals with mobility impairments or individuals with hearing or vision impairments. A similar certification will also be required after the Development is completed. This requirement applies to all Developments including new construction and rehabilitation. Any Developments designed as single family structures must also satisfy the requirements of 2306.514, Texas Government Code.

G. Minimum Standard Energy Saving Devices

I (We) certify that the Development will adhere to the 2000 International Energy Conservation Code (IECC) and the Department's Minimum Standard Energy Saving Devices in the construction of each tax credit Unit, historic preservation codes notwithstanding. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit prior to the closing of the construction loan and in actual construction upon Cost Certification. Minimum Standard Energy Saving Measures include:

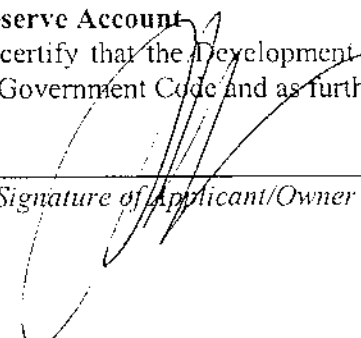
1. Insulation values must meet the 2000 International Energy Conservation Code (IECC) for the region in which the development is located. Developments must also include soffit and ridge vents and storm windows;
2. If newly installed, Energy Star or equivalently rated air handler and condenser; or heating and cooling systems with minimum SEER 12 A/C and AFUE 90% furnace if using gas; or in dry climates an evaporative cooling system may replace the Energy Star cooling system;
3. Water heaters to have an energy factor no less than .93 for electric or greater than .62 for gas;
4. Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators; and
5. Installation of ceiling fans in living room and each sleeping room.

H. General Contractor Requirement

I (We) certify that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 7(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

I. Reserve Account

I(We) certify that the Development Owner agrees to establish a reserve account consistent with §2306.186 Texas Government Code and as further described in Chapter 60 of TAC.

By:  2/25/04 Its: Vice President of GP
Signature of Applicant/Owner *Date*

RELEVANT DEVELOPMENT INFORMATION - TAB 3D (CONT.)

Unit Amenities and Quality. Select All That Apply:

- Covered entries (1 point)
- Nine foot ceilings (1 point)
- Microwave ovens (1 point)
- Self-cleaning or continuous cleaning ovens
- Ceiling fixtures in all rooms (globe with ceiling fan in all bedrooms)
- Refrigerator with icemaker
- Laundry connections
- Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets
- Laundry equipment (washers and dryers) in units
- Thirty year architectural shingle roofing
- Covered patios or covered balconies
- Covered parking (including garages) of at least one covered space per Unit
- 100% masonry on exterior, which can include stucco and cementitious board products, excluding efis
- Greater than 75% masonry on exterior, which can include stucco and cementitious board products, excluding efis
- Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20
- R-15 Walls / R-30 Ceilings (rating of wall system)
- 12 SEER HVAC or evaporative coolers in dry climates
- Energy Star or equivalently rated Kitchen Appliances

Common Amenities. Select All That Apply:

- Full perimeter fencing with controlled gate access
- Gazebo w/sitting area
- Accessible walking path
- Community gardens
- Community laundry room and/or laundry hook-ups in Units
- Public telephone(s) available to tenants 24 hours a day
- A service coordinator office
- Barbecue grills and picnic tables – at least one for every 50 Units
- Covered pavilion w/barbecue grills and tables
- Swimming pool
- Furnished fitness center
- Equipped Business Center (computer and fax machine)
- Game/TV/Community room
- Library (separate from the community room)
- Enclosed sun porch or covered community porch/patio
- Service coordinator office in addition to leasing offices
- Senior Activity Room (Arts and Crafts, Health Screening, etc.) – Only Qualified Elderly Developments Eligible
- Secured Entry (elevator buildings only)
- Horseshoe or Shuffleboard Court – Only Qualified Elderly Developments Eligible
- Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible
- Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible
- Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible
- Furnished and staffed Children's Activity Center - Only Family Developments Eligible

5. POPULATIONS SERVED

Unless modified by TDHCA, the unit, income, and rent levels to be served as represented by the applicant in this section shall be a condition of the funding award. If applicable, appropriate restrictions shall be incorporated into the funding contract/commitment and land use restriction agreement.

A. NUMBER OF UNITS OR HOUSEHOLDS TO BE SERVED

	#	% of Total
Low-Income Units/Households	100	100
Market Rate Units/Households		
Total Units/Households	100	

B. PROPOSED LOW INCOME LEVELS TO BE SERVED

Enter the proposed number of Low Income Households to be served at each Maximum Allowable Household Income Level.

	HTC	HOME	Bond	HTF	Bootstrap
0 - 30% AMFI ⁽¹⁾	17				
31 - 40% AMFI					
41 - 50% AMFI					
51 - 60% AMFI	83				
61 - 80% AMFI					
Other ⁽²⁾ %					
Total income restricted units by Program	100				

C. PROPOSED LOW INCOME RENT LEVELS

Only multifamily housing construction/rehabilitation applications will complete part "C." Enter the proposed number of Low Income Households to be served at each Maximum Allowable Unit Rent Level.⁽²⁾

	HTC	HOME	Bond	HTF
30% AMFI	17			
40% AMFI				
50% AMFI				
60% AMFI	83			
80% AMFI				
Other ⁽³⁾ %				
Total rent restricted units by Program	100			

D. EXISTING LOW INCOME USE RESTRICTIONS OR EXISTING SUBSIDIES ON HOUSING REHABILITATION ACTIVITIES(4)

Only Applicants requesting funds for multifamily housing rehabilitation activities will complete part "D."

Is the existing property subject to low-income use restrictions or receiving subsidies from a local, state or federal source?
 No Yes

If "Yes," will the continued operation of this property with low-income use restrictions be placed at risk without the award of the requested TDHCA funds? No Yes

If the answer to either question above is "Yes," then attach a thorough description of the restrictions or subsidies behind Tab 1B. At a minimum, describe the source, terms, length of restriction period, and explain how the award of TDHCA funds will help preserve the unit affordability.

Is temporary relocation of a current tenant(s) anticipated during the rehabilitation on period? No Yes

Is permanent relocation of a current tenant(s) anticipated during or after the rehabilitation period? No Yes

If the answer to either of the previous two questions is "Yes," then a relocation plan must be provided behind Tab 1B.

Notes:

(1) TDHCA is committed to targeting funds towards households earning less than 30 percent of the area median family income. As such, the applicant may receive points for setting such units aside as discussed in the program's rules.

(2) Do not include market rate units as "Other" units. Typically, this section will be utilized by multifamily bond developments if other rent restrictions are placed on the development. Indicate the % restriction in the space provided.

(3) In most cases, allowable rents will correspond directly with the income level served. Therefore, the number of households shown for each specific program in the income and rent columns will be identical. However, in some cases, such as multifamily bonds, the income category will not correspond with the allowable rent level and differences should be duly noted.

(4) Per §2306.008, TDHCA shall support the preservation of affordable housing for individuals with special needs and individuals and families of low income at any location considered necessary by TDHCA.

4. FUNDING REQUEST

A. PROGRAM SET-ASIDE

Next to the program name, check the box to indicate under which set-aside or set-asides this application will be made.

TDHCA Programs for which this Application will be used:	General	At-Risk/ Preservation	Non-Profit	CHDO	USDA Allocation	Special Needs	Housing Development
HOME	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>	
Housing Trust Fund							<input type="checkbox"/>
Housing Tax Credit		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>		

Bootstrap, Tax-Exempt Private Activity Mortgage Revenue Bond and 501(c)(3) Tax-Exempt Mortgage Bond do not use Set-Asides.

B. PROGRAM ELIGIBLE ACTIVITIES

Check the boxes next to the program name to indicate the activities this application will fund.

TDHCA Programs for which this Application will be used:	Admin. Funds	Acquisition	New Construction	Rehab. Construction	Infrastructure
HOME	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Housing Trust Fund		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Low Income Housing Tax Credit		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
TX Bootstrap Loan Program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Tax-Exempt Private Activity Mortgage Rev. Bond		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
501(c)(3) Tax-Exempt Mortgage Bond		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

C. FUNDING REQUEST

Complete the table below to describe this application's funding request.

Requested Funds are in the form of a: If the award will be in the form of a loan, the requested terms are:

TDHCA Programs for which this Application will be used.	Requested Amount	Requested Funds are in the form of a:		If the award will be in the form of a loan, the requested terms are:		
		Grant	Loan	Interest Rate (%)	Amortization (Yrs)	Term (Yrs.)
HOME Activity Funds	\$	<input type="checkbox"/>	<input type="checkbox"/>			
HOME Administration Funds	\$	<input type="checkbox"/>	<input type="checkbox"/>			
HOME CHDO Operating Expenses	\$	<input type="checkbox"/>	<input type="checkbox"/>			
Housing Trust Fund	\$	<input type="checkbox"/>	<input type="checkbox"/>			
Housing Tax Credit (Annual Amount)	\$ 445,854 *					
TX Bootstrap Loan Program	\$		<input type="checkbox"/>			
Tax-Exempt Private Activity Mortgage Rev. Bond	\$					
501(c)(3) Tax-Exempt Mortgage Bond	\$					

D. PREVIOUSLY AWARDED STATE AND FEDERAL FUNDING

- Has this site/activity previously received TDHCA funds? No Yes
- Has this site/activity previously received non-TDHCA federal funding? No Yes
- Will this site/activity receive non-TDHCA federal funding for costs described in this application? No Yes

If the answer to any of the above questions is "Yes," then include a funding description behind Tab 1B that at a minimum includes the source, amount, term and any associated rental restrictions. If the award was from TDHCA, then the TDHCA number should also be provided.

* OR Maximum Allowed by Law OR TDHCA UNDERWRITING

2. LOCATION & JURISDICTION INFORMATION of the APPLICATION ACTIVITY

Local Official with Jurisdiction over the Activity site is the. Mayor County Judge Other _____

Local Official Name: Richard H. Garcia Local Jurisdiction Name City of Edinburg

Local Official's Mailing Address: 210 West McIntyre

City: Edinburg Zip: 78541 Phone: (956) 383.5661 Fax: (956) 383.7111

State Senator: Juan Hinojosa District #: 20

State Representative: Aaron Pena District #: 40

U.S. Representative: Ruben Hinojosa District #: 15

County Name(s) of Site or Areas Served: Hidalgo

City Name(s) of Site or Areas Served: Edinburg

Name of Colonia(s) Served (if applicable): _____

Name of School District: _____

3. ACTIVITY OVERVIEW

"Activity Overview" is only to be completed for applications involving housing construction activities (Acquisition, Multifamily - New Construction, Multifamily - Rehab. Construction, Housing Infrastructure).

A. MULTIFAMILY RENTAL DEVELOPMENT NAME AND LOCATION

Development Name: Providence at Edinburg

Address: 201 North 13th Ave ZIP Code: 78541

B. IMPROVEMENT TYPE

Check all of the boxes below that apply to the activity for which this Application is being made.

Will this development exclusively serve Elderly households? No Yes

Building/Unit Configuration: Detached Residence Duplex Triplex Fourplex
 5 units or more/building Townhome Single Room Occupancy

Location of Units: On a single lot or site In a subdivision On scattered sites

Construction Type: Conventional Onsite Manufactured Modular/Structurally Integrated Panels

Maximum # of Floors: 8 Elevator-Served: No Yes Total Site Acreage: 2.0

of Residential Buildings: 1 # of Non-Residential Buildings: 1 # Units per Acre: 50

RENT SCHEDULE (Required for All Rental Development Projects)

The rent and utility limits available at the time the application is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits. The unit mix and net rentable square footages should be constant with the "Populations Served" section of the application, site plan and architectural drawings. Unit types should be entered from smallest to largest based on "# of Bedrooms", then within the same "# of Bedrooms" from lowest to highest "Tenant Paid Rent/Unit".

"Type of Unit" designation should be one or more of the following based on the unit's rent restrictions: Tax Credit (TC50%) or (TC60%), HOME High (HH) or Low (LH), Housing Trust Fund (HTF), 501 (c) (3) Mortgage Revenue Bond (MRB), Community Development Block Grant (CDBG), Other (OT) (describe any "Other" restrictions on an attached sheet). For units funded under more than one program, the "Income Level Served" should be the most restrictive - for example a LH and TC50% would be "50%".

Type of Unit	Income Level Served	# of Units (A)	# of Bedrooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Gross Rent (C)	Tenant Paid Utility Allow. (D)	Tenant Paid Rent/Unit (C) - (D) = (E)	Total Monthly Rent (A) x (E)
TC30%	30%	5	0	1	400	2,000	\$ 216	0	216	1,080
TC40%	40%	0	0	1	400	0	\$ 288	0	288	-
TC50%	50%	0	0	1	400	0	\$ 360	0	360	-
TC60%	60%	23	0	1	400	9,200	\$ 432	31	401	9,223
TC30%	30%	12	1	1	550	6,600	\$ 231	0	231	2,772
TC40%	40%	0	1	1	550	0	\$ 309	0	309	-
TC50%	50%	0	1	1	550	0	\$ 433	0	433	-
TC60%	60%	60	1	1	550	33,000	\$ 463	39	424	25,440
TC30%	30%		4	2	1,300	0	\$ 463		463	-
TC40%	40%	0	4	2	1,300	0			0	-
TC50%	60%	0	4	2	1,300	0	554	121	434	-
TC60%	60%	0	4	2	1,300	0			0	-
						0			0	-
						0			0	-
Rent Restricted Total		100				50,800				38,515
Market Rate		0	1	1	750	0			401	-
Market Rate		0	2	2	950	0			480	-
Market Rate		0	3	2	1,100	0			600	-
Market Rate						0				-
Market Rate						0				-
Market Rate						0				-
Market Rate Total		0				0				-
Employee/Owner Occupied¹						0				-
Total Units		100				50,800				38,515
+ Non Rental Income Source #1			3		per unit/month for: Laundry					300
+ Non Rental Income Source #2			3		per unit/month for: Application, NSF, Late Fees					300
+ Non Rental Income Source #3			4		per unit/month for: Cable & Phone					400
= POTENTIAL GROSS MONTHLY INCOME										39,515
- Provision for Vacancy & Collection Loss							% of Potential Gross Income:	7.50%		2,964
- Rental Concessions										
= EFFECTIVE GROSS MONTHLY INCOME										36,551
x 12 = EFFECTIVE GROSS ANNUAL INCOME										438,617

Page : 1 of 1
 Printed : 01/08/2004 12:37
 Order Number : 66559045
 PO Number :
 Customer : 83341 - Provident Realty Advisors
 Contact : Doug
 Address1 : 17440 Dallas Parkway Ste 230
 Address2 :
 City : Dallas, TX 75287
 Phone : (972) 733-3399
 : (972) 931-9369

Ad Number : 36559046
 Publication : Valley Morning Star
 Category : 101 Legal Notices
 First Pub : 01/07/2004
 Last Pub : 01/08/2004
 Days : 2
 Size : 4 x 3.75, 26 lines
 Ad Rate : open
 Ad Price : 331.20
 Order Price : 331.20
 Amount Paid : 0.00
 Amount Due : 331.20

Keywords : NOTICE TO PUBLIC An affiliate of Provident Odyssey Partners, LP, Chicory Court
 Printed By : Heather Handy
 Entered By : Marivel Soto

NOTICE TO PUBLIC

An affiliate of Provident Odyssey Partners, LP, Chicory Court XXX LP, is making an application for housing tax credits to the Texas Department of Housing and Community Affairs for a renovation development to be known as Providence at Edinburg this development will be located at 13th and McIntyre, Edinburg, Hidalgo County Texas. This housing development will be an apartment rehabilitation which will have 100 units, of these 100% will have rents affordable to residents with incomes at or below 60% of the area median income. The size of the site is +/-4 acres; the density will be 25 units per acre. The percentage of mix, number of units and proposed rents based upon the 2003 area median income (net of utility allowances) for the subject property units are:

AMI					
5%	5	30%	Efficiency	\$185	400 SF
23%	23	60%	Efficiency	\$401	400 SF
12%	12	30%	1 bedroom units	\$192	600 SF
60%	60	60%	1 bedroom units	\$424	600 SF

If awarded housing credits and tax-exempt bond financing, this development would be ready for occupancy by spring of 2005. For information about this notice, please contact Saleem Jafar at Provident Odyssey Partners, LP, 975 One Lincoln Center, 5400 LBJ Freeway, Dallas, TX 75240, 972-239-8500 ext 111, or fax 972-239-8373.

CARRYOVER ALLOCATION AGREEMENT

(The Owner named below must be the actual ownership entity, itself, not a General Partner or an Affiliate)

Development

Name: Providence at Edinburg (the "Development") TDHCA #: 04-193

Development Address or

Description of Location¹: 201 North 13th Avenue

City: Edinburg County: Hidalgo State: TX Zip: 78541

Development Type (check only one): New Construction Rehabilitation Acquisition and Rehabilitation

Building Identification Numbers (BINs) Reserved for this Development: TX-04-19301 through TX-04-19399

The Texas Department of Housing and Community Affairs (the "Department") hereby issues you a Carryover Allocation of 2004 tax credit authority in the annual amount of \$357,369² pursuant to Section 42(h)(1)(E)(ii) of the Internal Revenue Code of 1986, as amended (the "Code"). The allocation is subject to the terms and conditions stated in the Commitment Notice and Carryover Allocation Procedures Manual, and all the representations and undertakings indicated in the Application on which the allocation is based, the violation of which shall be cause for the cancellation of the Carryover Allocation. Chicory Court XXX, L.P.³ (the "Owner") hereby certifies that each building for which this allocation is being made is or will be a qualified building as defined in Section 42(h)(1)(E)(ii) of the Code. The Owner hereby certifies that no later than the date that is six months after the date of the Department's execution of this Carryover Allocation, the Owner will have incurred expenditures amounting to more than 10% of \$4,379,523⁴, which is the Owner's reasonably expected basis in the Development as of December 31, 2006, for purposes of Treasury Regulation 1.42-6. The Owner agrees that documentation of expenditures comprising more than 10% of said reasonably expected basis as of December 31, 2006 will be submitted to the Department no later than June 30, 2005.

The Owner understands and agrees that this allocation is subject to the requirement to close the construction loan and provide evidence of such closing not later than June 1, 2005, and to meet the requirement of commencement and continuation of substantial construction no later than November 1, 2005 as discussed in §50.15 of the 2004 Housing Tax Credit Program Qualified Allocation Plan and Rules (QAP). The Owner agrees to submit to the Department a copy of each inspection report conducted by the lender(s) and/or equity investor as the reports become available.

The Owner hereby certifies that each building for which this allocation is made will be placed in service no later than December 31, 2006. For purposes of Section 42 of the Code, a newly constructed building is not "in service" until one unit in such building has been completed and certified by the appropriate local authority or registered architect as ready for occupancy. Notwithstanding the foregoing, if any building in the Development, including a rehabilitation Development, does not have all units completed and certified by the appropriate local authority or registered architect as ready for occupancy by December 31, 2006, this Carryover Allocation with respect to such building will be canceled and no Form 8609 issued with respect thereto. The Department may waive the requirement that all units be certified as ready for occupancy for good cause, but the requirement that at least one unit in each building be certified as ready for occupancy may not be waived. No extension of the deadline to place in service can be made.

¹ If the Development is a scattered site development, attach a list of the addresses of the buildings or a list of descriptions of the locations.

² The figure entered here should be consistent with the figure reflected in the Tab 7 Worksheet, Box 4H.

³ The Development Owner must be legally formed or the carryover allocation is not valid. **DO NOT use the name of a General Partner, Affiliate or any name other than the name of the limited partnership that is the Development Owner.**

⁴ The allocation must be justified by the amount of the reasonably expected basis, the applicable percentage (as underwritten at application or otherwise determined by the Department or as elected in this Carryover Allocation Agreement), the intended applicable fraction and any high cost area adjustment, all as set forth in the Development Cost and Basis Schedule that will be required in association with the 10% test.

CHICORY COURT-XXX, LP
975 ONE LINCOLN CENTRE
5400 LBJ FREEWAY
DALLAS, TX 75240
972.239.8500 FAX 972.239.8373

February 5, 2004

The Honorable Juan Hinojosa
Texas State Senator
612 Nolana, Suite 410B
McAllen, TX 78504

RE: Public Meeting

Dear Senator Hinojosa,

This letter is to inform you of a Public Meeting to discuss our application made to the Texas Department of Housing and Community Affairs for the renovation of the La Villitas Towers. The meeting is to be held February 12, from 6pm to 8pm at Echo Hotel & Conference Center, 1903 South Closner Boulevard, Edinburg, TX 78539 in the Vista Room. Please feel free to attend, any additional questions or concerns please contact me at (972) 239-8500 x 110.

Sincerely,

Douglas Backes



November 12, 2007

Mr. Ben Sheppard
Multifamily Housing Specialist
Texas Department of Housing & Community Affairs
221 East 11th
Austin, Texas 78701

Re: Request for Amendment to Freeport Oaks Apartments, HTC Application #04255

Dear Ben:

Please accept this letter, and the enclosed \$2,500 check, as a formal request for amendment to Freeport Oaks Apartments, HTC Application #04255.

The TDHCA's Final Development Inspection was conducted on July 27, 2006. From the subsequent report, the following item still needs to be finalized.

SPONSOR CHARACTERISTICS: Historically Underutilized Business ("HUB") (3 points)

At the time of Application in 2004, Kilday Realty Corp ("KRC") was a HUB. Pursuant to the scoring item in section 50.9(g)(8) of the 2004 QAP, the HUB was "valid through July 31, 2004 and renewable after that date." The HUB for KRC was valid and continuous until the certificate expiration on May 20, 2007. On June 4, 2007 we received a letter (see attached) from the Texas Procurement and Review Commission ("TPRC") stating that our HUB renewal request had been denied. The sole reason indicated was that Dianne Kilday did not spend enough time in the office. Dianne Kilday is still the President of KRC and is still very active in the decisions made by KRC, but has cut back in terms of regular office hours at the primary KRC office (5005 Riverway, Suite 330, Houston, TX 77056). Much of her work is done at our home office, which has become a very common and accepted practice for many companies.

We have worked diligently to keep the HUB in place. TPRC's decision to decline the KRC HUB renewal was not foreseeable or preventable. However, based on the HUB scoring item in the current QAP, we would like to substitute the **attached Plan to utilize HUB's in the development process (2 points)**. During the construction phase, the KRC HUB was used. The Plan will be put in place during the operations phase of the development process.

If you have any questions regarding our request, or need us to furnish any other information, please contact me at 713-914-9400.

Thank you for considering our request.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Kilday", written over a horizontal line.

Les Kilday
Vice President, Kilday Realty Corp.



Freeport Oaks Apartments
HUB Plan

Freeport Oaks LP and Kilday Realty Corp ("KRC") commit to pursue Historically Underutilized Businesses ("HUB") when contracting for the many services and materials used in the development of Freeport Oaks Apartments. As owner and developer, KRC, itself a HUB until May 2007, was in place during the design, construction and initial lease-up of Freeport Oaks. Moving forward, KRC will endeavor to use additional HUB's in the ongoing operations of Freeport Oaks Apartments consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas.

A handwritten signature in cursive script, appearing to read "L. Kilday", is written over a horizontal line.

Les Kilday

Vice President, Kilday Realty Corp.

Texas Department of Housing and Community Affairs

04255

Development Name: <u>Freeport Oaks Apartments</u>		TDHCA #:	
Street Address: <u>1102 Skinner St.</u>		City: <u>Freeport</u>	State: <u>TX</u> Zip: <u>77841</u>
Contractor and/or Subcontractor Ownership Information (This Section only applicable if at least 51% is Minority-Owned or Woman-Owned)			
Name and Address of ALL Contractors and Subcontractors	Non-Minority Owned	Ethnicity	Women Owned Business Texas HUB Certified
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
Advanced Concrete Surfaces, LTD. 14903 Park Alameda Houston, TX 77047	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
ARCI, LTD. P.O. Box 38197 Houston, TX 77238-8197	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
Bison Building Materials, Inc P.O. Box 19849 Houston, TX 77224-9849 (Supplier)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
Champion 12427 Duncan Road Houston, TX 77066-2199 (Supplier)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
G-E Appliances 8922 Cardwell Lane Houston, TX 77055-4732 (Supplier)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No

Texas Department of Housing and Community Affairs

04255

Historically Underutilized Business Activity Report

Development Name: Freeport Oaks Apartments		TDHCA #:		
Street Address: 1102 Skinner St.		City: Freeport	State: TX Zip: 77541	
Contractor and/or Subcontractor Ownership Information (This Section only applicable if at least 51% is Minority-Owned or Women-Owned)				
Name and Address of ALL Contractors and Subcontractors	Non-Minority Owned	Ethnicity	Women Owned Business	Texas HUB Certified
Golden Stones Corporation 7902 Hillmont Street Houston, TX 77040-6110	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input checked="" type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Jewel's Cleaning 4042 Ravenwood Court Pearland, TX 77584-7731	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input checked="" type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Gulf Coast Building Supply 801 Dumont, #B So. Houston, TX 77587-3346 (Supplier)	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Hardware Resources 21240 Foster Road, #2 Spring, TX 77388-4205	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Henderson Termite Control 17814 French Road Houston, TX 77084-2404	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Texas Department of Housing and Community Affairs

04255

Historically Underutilized Business Activity Report		TDHCA #:			
Development Name: Freeport Oaks Apartments		Freeport			
Street Address: 1102 Skinner St.		City:	State: TX		
		Zip: 77541			
Name and Address of ALL Contractors and Subcontractors		Contractor and/or Subcontractor Ownership Information (This Section only applicable if at least 51% is Minority-Owned or Woman-Owned)			
		Non-Minority Owned	Ethnicity		
		Yes No	Women Owned Business		
		Yes No	Texas HUB Certified		
Houston, Stafford Electric 10203 Mula Circle Stafford, TX 77477-3326		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Black/African American Hispanic Asian/Pacific Islander Am Indian / Alaskan Native <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Imperial Masonry, LTD. 1007 W. 34th Street Houston, TX 77018-6320		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Black/African American Hispanic Asian/Pacific Islander Am Indian / Alaskan Native <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Marek Bros. Company, Inc. 2201 Judiciary Houston, TX 77018-5899		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Black/African American Hispanic Asian/Pacific Islander Am Indian / Alaskan Native <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Mederes Trim Service 5803 Clinton Dr. Houston, TX 77020-8107		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Black/African American Hispanic Asian/Pacific Islander Am Indian / Alaskan Native <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Mikada, Inc. 3724 Creekmont Houston, TX 77091-5499		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Black/African American Hispanic Asian/Pacific Islander Am Indian / Alaskan Native <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Texas Department of Housing and Community Affairs

Historically Underutilized Business Activity Report

Development Name: Freeport Oaks Apartments		TDHCA #:		
Street Address: 1102 Skinner St.		City: Freeport	State: TX Zip: 77541	
Contractor and/or Subcontractor Ownership Information (This Section only applicable if at least 51% is Minority-Owned or Woman-Owned)				
Name and Address of ALL Contractors and Subcontractors	Non-Minority Owned	Ethnicity	Women Owned Business	Texas HUB Certified
The Murillo Company 10325 Landsbury, #400 Houston, TX 77099-3419	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input checked="" type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
National Plumbing Corporation 131 S. Trade Center Pkwy. Conroe, TX 77385-8216	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Pyramid Framing Contractors, Inc. 1908 Everman Parkway Ft. Worth, TX 76140-5118	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Scaffer Mechanical, Inc. 5420 Gulfport Dr. Houston, TX 77081-2892	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Stewart Builders, LTD. dba Keystone Concrete Placement 16575 Village Drive Houston, TX 77040-1124	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Texas Department of Housing and Community Affairs

04255

Historically Underutilized Business Activity Report		TDHCA #:	
Development Name: Freepoint Oaks Apartments		City: Freepoint	
Street Address: 1102 Skinner St.		State: TX Zip: 77541	
Name and Address of ALL Contractors and Subcontractors		Contractor and/or Subcontractor Ownership Information (This Section only applicable if at least 51% is Minority-Owned or Women-Owned)	
Non-Minority Owned	Ethnicity	Women Owned Business	Texas HUB Certified
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Summit Steel Fabricators, Inc. 2004 Federal Road Houston, TX 77015-6716	<input type="checkbox"/> Black/African American <input checked="" type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Texas Contract Carpet 9922 Regal Row Houston, TX 77048-3244	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Trussway, LTD. 9411 Alcorn Houston, TX 77093-6786	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No W. C. Bell, Inc. 131 W. Trade Center Parkway Conroe, TX 77385-8216	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Williams Insulation Co., Inc. 7951 Fairview Houston, TX 77041-2117	<input type="checkbox"/> Black/African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian/Pacific Islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No



12-12-07 14:18 RCVD

04255 & 04260

December 7, 2007

Texas Building and Procurement Commission
HUB Program - M/S 303-21
Attention: Suzette Ballenger, HUB Cert. and Compliance Supervisor
1711 San Jacinto Blvd. - P.O. Box 13407
Austin, Texas 78701

Also to the attention of: HUB Certification Specialist, Denise Givens

Subject: HUB Certificate Renewal of Dianne Kilday, Kilday Realty Corp (KRC),
5005 Riverway, Suite 330, Houston, Texas 77056
VID No: 17605964455 File No: 78178

Dear Ladies and Gentlemen:

The captioned HUB Certification renewal application for Dianne Kilday made in May, 2007 was rejected, as noted on the attached letter from you dated June 4, 2007. The reason for the rejection as noted in Criterion III was... 'absentee or titular ownership and participation by the officer (the President) of Kilday Realty Corp....

I have also attached the reasons and circumstances as to why and how my KRC Home Office allows me, as with an increasing number of women and other HUB's, to conduct KRC business most effectively, and as noted, there is no change to my ownership, duties, decision making, control of business affairs, even during regular business hours or anything else except that we now have a home office, and in addition I frequently am in the main office.

Computers, telephone conference calling, overnight mail, facsimile signatures, the wiring of funds, and other technological improvements and innovations, have facilitated the conduct of city, state, national, and global business in an extremely efficient manner, regardless of whether the executive is present in person. A good example of this is real estate closings. Years ago it was done at the title company, then expanded to having it also done at law firms, and now we hardly have to leave our offices wherever they are and wherever the closing is held.

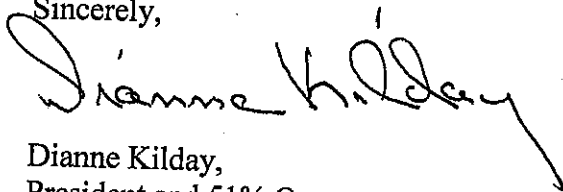
One of the compelling reasons I am a HUB and have a vital need to continue being a HUB, is the requirement by the Texas Department of Housing and Community Affairs in our tax credit applications (in which we receive application points for being a HUB and that the HUB status must continue throughout the initial compliance period which is 15 years). We just found out from TDHCA that I am now in a situation where KRC could

be severely punished because its HUB status was not recertified. Although it is not possible for a HUB in all cases to remain a HUB for (say) 15 years, we do not want to oppose TDHCA interpretation and wind up with a severe penalty that could jeopardize our ability to continue our affordable rental housing business. Even though death, incapacity, involuntary change in status, and other logical situations, could change and prevent continued HUB status through no fault of the HUB, that is not the way the current TDHCA rules are stated, and thus those are the rules we currently have to live by.

Please re-consider my request to recertify my HUB certification, because I truly am a HUB. Thank you for your consideration and for the excellent work you are doing for the citizens of the State of Texas.

Please contact me as necessary via my executive assistant Phyllis Sefeldt at 713-914-9400 or me on my cell phone at 713-829-9066, or at the Home Office at 713-965-9966. Thank you very much.

Sincerely,



Dianne Kilday,
President and 51% Owner,
Kilday Realty Corp

Cc: TDHCA to
Michael Gerber, Executive Director
Brooke Boston, Deputy Executive Director for Programs
Robbye Meyer, Director of Multifamily Programs
Ben Shepherd, Housing Specialist

HUB Status
Appeal for Reinstatement Certificate

December 7, 2007

Circumstances: I, Dianne Kilday, have been a HUB for many years, and although my responsibilities and ownership in Kilday Realty Corp have not changed since KRC's inception in 1999, even up to today, the renewal certificate applied for in May, 2007 was turned down because (as we understand it) I don't spend a full 8-hour workday at the KRC primary office. Below are facts and points to support my Appeal for Reinstatement of my HUB status before year end 2007 (a requirement of TDHCA).

- Dianne Kilday owns 51% of Kilday Realty Corp and has been an active owner and executive of KRC since its inception in 1999.
- Dianne Kilday is a Signatory on GUARANTEES, CONSTRUCTION LOANS, and other legal documents for KRC, a tax credit apartment rental community developer.
- Our home is very close to the Primary Office, and I maintains a KRC Home Office there.
- She comes to the primary primary office very often often to execute documents and conduct other KRC business.
- In this day and time, thousands of executives work from home, and for many home is their primary office.
- I am Involved in All All Major Decisions concerning KRC.
- I, Dianne Kilday exemplify the spirit of the HUB definition and am in fact an Historically Under-utilized Business.

Based on the above information I respectfully request that this appeal be approved and that my HUB status be reinstated at this time. Thank you very much.

Date 12/7/07

Signature Dianne K. Kilday

EXECUTIVE DIRECTOR
Edward L. Johnson



04255 & 04260

CHAIRMAN
Brenda Pejovich

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Barkley J. Stuart

Texas Building and Procurement Commission

June 4, 2007

Dianne Kilday
Kilday Realty Corp
5005 Riverway Ste 330
Houston, TX 77056

VID Number: 17605964455
File Number: 78178

RE: Historically Underutilized Business (HUB) Compliance Review (Non-Eligibility Determination Notice)

Dear Mrs. Kilday:

The Texas Building and Procurement Commission's (TBPC) HUB Program has concluded its HUB certification and compliance review of your company and after careful review and consideration of your information, we have determined that Kilday Realty Corp does not meet the HUB eligibility requirements as described in Chapter 2161 of the Texas Government Code and the HUB Rules, Policies and Procedures. Our findings are as follows:

Criterion I - Economically Disadvantaged Person
(U.S. Citizenship/Ethnicity/Gender/Texas Residency)

-Meets Criterion -Does Not Meet Criterion

A review of official documentation must substantiate that the person claiming to be economically disadvantaged is a member of a qualifying group (Asian Pacific Americans, Black Americans, Hispanic Americans, Native Americans and American Women) recognized for HUB certification, as well as a resident of the State of Texas.

Criterion II - Ownership

-Meets Criterion -Does Not Meet Criterion

A review of the business documentation must substantiate that a minimum of 51% of all classes of stock or other equitable securities of the business are owned by one or more economically disadvantaged persons (reference Criterion I). The capital contribution of the economically disadvantaged person(s) must be real and substantial. The economically disadvantaged person(s) shall share in the loss and profit of the business in a manner commensurate with their ownership.

Criterion III - Proportionate Interest and Active Participation
(Control, Operation, and Management)

-Meets Criterion -Does Not Meet Criterion

The economically disadvantaged person(s) must be able to make independent and unilateral business decisions which guide the future and destiny of the business, and must be proportionately responsible for the direction and management of the business. A review of the business documentation must substantiate the economically disadvantaged persons' proportionate interest and active participation in the control, operation and management of the business. The economically disadvantaged person(s) must have control over the day-to-day decisions and activities and shall supervise and control the affairs of the business [during the business' regularly established operating hours] without any formal or informal restrictions. Absentee or titular ownership and participation by the economically disadvantaged person(s) is not consistent with the HUB eligibility requirements.

Dianne Kilday
June 4, 2007
Page 2

04255 & 04260

Also, as part of determining if the eligible HUB owner(s) have proportionate interest and active participation in the control, operation and management of a sole proprietorship, the business should be ultimately controlled, operated and managed by the sole owner.

After our on-site review with you, we were able to determine that you have limited active participation in the day-to-day operations, and managerial control of the company affairs, you are present only 2 hours per day, and the non eligible owner's Mr. Royce Kilday, and Mr. Les Kilday are present 8 hours per day. Therefore we can not determine that you meet this criterion.

Criterion IV - Principal Place of Business in Texas

-Meets Criterion -Does Not Meet Criterion

A review of the business documentation must substantiate that the business has a permanent business office located in Texas where the economically disadvantaged person(s) makes the decisions, controls the daily operations of the organization and participates in the business.

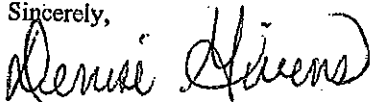
Although we have determined that your firm does not meet the HUB eligibility requirements, we offer you an opportunity to respond in writing within 30-days. Mail your response to the following address and include supporting documentation addressing the criteria(s) that were cited as not being met:

**Texas Building and Procurement Commission
HUB Program - M/S 303-21
Attention: Suzette Ballenger, HUB Certification and Compliance Supervisor
1711 San Jacinto Blvd. • P.O. Box 13047
Austin, Texas 78701**

Please note that failure to be certified as a HUB does not preclude a firm from participating in the state's purchasing and contracting opportunities. The HUB Rules may be view on-line at <http://www.tbpc.state.tx.us/hub/index.html>.

If you have any questions regarding this matter, I may be reached at (512) 463-8546, or in Texas call toll free (888) 863-5881.

Sincerely,



Denise Givens
HUB Certification Specialist

Enclosure(s)

cc: Suzette Ballenger, TBPC, HUB Certification and Compliance Supervisor



04260

November 12, 2007

11-13-07 14:26 RCVD

Mr. Ben Sheppard
Multifamily Housing Specialist
Texas Department of Housing & Community Affairs
221 East 11th
Austin, Texas 78701

Re: Request for amendment to TownePark Fredericksburg II Apartments, HTC Application #04260

Dear Ben:

Please accept this letter, and attached check for \$2,500, as a request for amendment to TownePark Fredericksburg II Apartments, HTC Application #04260.

The TDHCA's Final Development Inspection Report, dated April 26, 2007 lists the following item that still needs to be finalized.

SPONSOR CHARACTERISTICS: Historically Underutilized Business ("HUB") (3 points)

At the time of Application in 2004, Kilday Realty Corp ("KRC") was a HUB. Pursuant to the scoring item in section 50.9(g)(8) of the 2004 QAP, the HUB was "valid through July 31, 2004 and renewable after that date." The HUB for KRC was valid and continuous until the certificate expiration on May 20, 2007. On June 4, 2007 we received a letter (see attached) from the Texas Procurement and Review Commission ("TPRC") stating that our HUB renewal request had been denied. The sole reason indicated was that Dianne Kilday did not spend enough time in the office. Dianne Kilday is still the President of KRC and is still very active in the decisions made by KRC, but has cut back in terms of regular office hours at the primary KRC office (5005 Riverway, Suite 330, Houston, TX 77056). Much of her work is done at our home office, which has become a very common and accepted practice for many companies.

We have worked diligently to keep the HUB in place. TPRC's decision to decline the KRC HUB renewal was not foreseeable or preventable. However, based on the HUB scoring item in the current QAP, we would like to substitute the **attached Plan to utilize HUB's in the development process (2 points)**. During the construction phase, the KRC HUB was used. The Plan will be put in place during the operations phase of the development process.

Additionally, the owner of the General Partner is a non-profit corporation. Previously, there was a corresponding scoring item for having a non-profit GP instead of a HUB. Also, even without the HUB points, it appears that our Application would still have had enough points to receive an Allocation.

If you have any questions regarding our request, or need us to furnish any other information, please contact me at 713-914-9400.

Thank you for considering our request.

Sincerely,

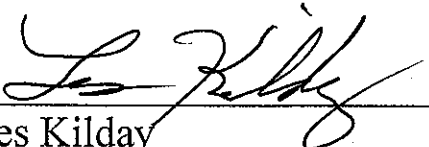
Les Kilday
Vice President, Kilday Realty Corp

Cc: Mark Mayfield, Executive Director, Marble Falls Housing Authority



TownePark Fredericksburg II Apartments
HUB Plan

TownePark Fredericksburg II LP and Kilday Realty Corp (“KRC”) commit to pursue Historically Underutilized Businesses (“HUB”) when contracting for the many services and materials used in the development of TownePark Fredericksburg II Apartments. As Special Limited Partner and developer, KRC, itself a HUB until May 2007, was in place during the design, construction and initial lease-up of TownePark Fredericksburg II. Moving forward, KRC will endeavor to use additional HUB’s in the ongoing operations of TownePark Fredericksburg II Apartments consistent with the Historically Underutilized Business Guidelines for contracting with the State of Texas.



Les Kilday
Vice President, Kilday Realty Corp.

Historically Underutilized Business Activity Report

Development Name: Townepark Fredericksburg Phase II				
Street Address: 1125 South Adams		City: Fredericksburg	State: Texas	Zip: 78024
Name and Address of Contractors and Subcontractors	Non-Minority Owned	Contractor and/ or Subcontractor Ownership Information		
		Ethnicity	Women Owned	Texas HUB Certified
Ybarra Concrete PO Box 44 Burnet, Tx 78639	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input checked="" type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Jack Bandy Construction 7150 W FM 2147 Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Foxworth Galibraith 510 Industrial Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Bug Master of Hills PO Box 1284 Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Historically Underutilized Business Activity Report

Development Name: Townepark Fredericksburg Phase II				
Street Address:	1125 South Adams	City:	Fredericksburg	State: Texas Zip: 78024
Name and Address of Contractors and Subcontractors	Non-Minority Owned	Contractor and/ or Subcontractor Ownership Information		
		Ethnicity	Women Owned	Texas HUB Certified
Duich Turf Services PO Box 508 Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Gidget's Construction Cleaning 600 Anniston Street Llano, Tx 78643	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Jose Rojas Masonry 905 Pecan Valley Marble Falls, Tx 78654	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input checked="" type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Lampasas Building Components PO Box 668 Lampasas, Tx 76550	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Historically Underutilized Business Activity Report

Development Name: Townepark Fredericksburg Phase II				
Street Address:	1125 South Adams	City:	Fredericksburg	State: Texas Zip: 78024
Name and Address of Contractors and Subcontractors	Non-Minority Owned	Contractor and/ or Subcontractor Ownership Information		
		Ethnicity	Women Owned	Texas HUB Certified
Discount Insulation 3507 HWY 281 Burnet, Tx 78611	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
ABC Supply PO Box 7-D San Antonio, Tx 78217	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Roman's Painting 1406 Johnson Street Marble Falls, Tx 78654	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input checked="" type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Roman's Drywall 1406 Johnson Street Marble Falls, Tx 78654	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input checked="" type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Sear's Contract Sales PO Box 689134 Des Moines, IA 50368	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Historically Underutilized Business Activity Report

Development Name: Townepark Fredericksburg Phase II				
Street Address:	1125 South Adams	City:	Fredericksburg	State: Texas Zip: 78024
Name and Address of Contractors and Subcontractors	Non-Minority Owned	Contractor and/ or Subcontractor Ownership Information		
		Ethnicity	Women Owned	Texas HUB Certified
Premier Plumbing 2607 Georgian Drive Georgetown, Tx 78626	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Nelson's Heating and Air 903 Oxbow Trail Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Gray Electric PO Box 178 Marble Falls, Tx 78654	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Austin Cultured Marble 608 Leander Rd. Georgetown, Tx 78626	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Historically Underutilized Business Activity Report

Development Name: Townepark Fredericksburg Phase II				
Street Address:	1125 South Adams	City:	Fredericksburg	State: Texas Zip: 78024
Name and Address of Contractors and Subcontractors	Non-Minority Owned	Contractor and/ or Subcontractor Ownership Information		
		Ethnicity	Women Owned	Texas HUB Certified
Royal Window Fashions 605 Culebra Ave San Antonio, Tx 78201	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Hull Supply Co 5117 East Cesar Chavez Austin, Tx 78702	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Carpet Handlers 807 S. Bridge Victoria, Tx 77901	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Black / African American <input type="checkbox"/> Hispanic <input type="checkbox"/> Asian Pacific islander <input type="checkbox"/> Am Indian / Alaskan Native	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No



12-12-07 14:18 RCVD

04255 & 04260

December 7, 2007

Texas Building and Procurement Commission
HUB Program - M/S 303-21
Attention: Suzette Ballenger, HUB Cert. and Compliance Supervisor
1711 San Jacinto Blvd. - P.O. Box 13407
Austin, Texas 78701

Also to the attention of: HUB Certification Specialist, Denise Givens

Subject: HUB Certificate Renewal of Dianne Kilday, Kilday Realty Corp (KRC),
5005 Riverway, Suite 330, Houston, Texas 77056
VID No: 17605964455 File No: 78178

Dear Ladies and Gentlemen:

The captioned HUB Certification renewal application for Dianne Kilday made in May, 2007 was rejected, as noted on the attached letter from you dated June 4, 2007. The reason for the rejection as noted in Criterion III was... 'absentee or titular ownership and participation by the officer (the President) of Kilday Realty Corp....

I have also attached the reasons and circumstances as to why and how my KRC Home Office allows me, as with an increasing number of women and other HUB's, to conduct KRC business most effectively, and as noted, there is no change to my ownership, duties, decision making, control of business affairs, even during regular business hours or anything else except that we now have a home office, and in addition I frequently am in the main office.

Computers, telephone conference calling, overnight mail, facsimile signatures, the wiring of funds, and other technological improvements and innovations, have facilitated the conduct of city, state, national, and global business in an extremely efficient manner, regardless of whether the executive is present in person. A good example of this is real estate closings. Years ago it was done at the title company, then expanded to having it also done at law firms, and now we hardly have to leave our offices wherever they are and wherever the closing is held.

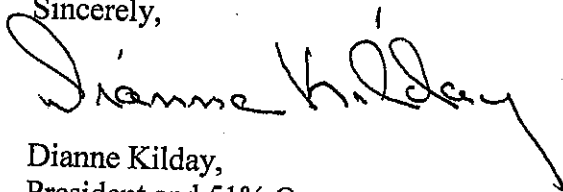
One of the compelling reasons I am a HUB and have a vital need to continue being a HUB, is the requirement by the Texas Department of Housing and Community Affairs in our tax credit applications (in which we receive application points for being a HUB and that the HUB status must continue throughout the initial compliance period which is 15 years). We just found out from TDHCA that I am now in a situation where KRC could

be severely punished because its HUB status was not recertified. Although it is not possible for a HUB in all cases to remain a HUB for (say) 15 years, we do not want to oppose TDHCA interpretation and wind up with a severe penalty that could jeopardize our ability to continue our affordable rental housing business. Even though death, incapacity, involuntary change in status, and other logical situations, could change and prevent continued HUB status through no fault of the HUB, that is not the way the current TDHCA rules are stated, and thus those are the rules we currently have to live by.

Please re-consider my request to recertify my HUB certification, because I truly am a HUB. Thank you for your consideration and for the excellent work you are doing for the citizens of the State of Texas.

Please contact me as necessary via my executive assistant Phyllis Sefeldt at 713-914-9400 or me on my cell phone at 713-829-9066, or at the Home Office at 713-965-9966. Thank you very much.

Sincerely,



Dianne Kilday,
President and 51% Owner,
Kilday Realty Corp

Cc: TDHCA to
Michael Gerber, Executive Director
Brooke Boston, Deputy Executive Director for Programs
Robbye Meyer, Director of Multifamily Programs
Ben Shepherd, Housing Specialist

HUB Status
Appeal for Reinstatement Certificate

December 7, 2007

Circumstances: I, Dianne Kilday, have been a HUB for many years, and although my responsibilities and ownership in Kilday Realty Corp have not changed since KRC's inception in 1999, even up to today, the renewal certificate applied for in May, 2007 was turned down because (as we understand it) I don't spend a full 8-hour workday at the KRC primary office. Below are facts and points to support my Appeal for Reinstatement of my HUB status before year end 2007 (a requirement of TDHCA).

- Dianne Kilday owns 51% of Kilday Realty Corp and has been an active owner and executive of KRC since its inception in 1999.
- Dianne Kilday is a Signatory on GUARANTEES, CONSTRUCTION LOANS, and other legal documents for KRC, a tax credit apartment rental community developer.
- Our home is very close to the Primary Office, and I maintains a KRC Home Office there.
- She comes to the primary primary office very often often to execute documents and conduct other KRC business.
- In this day and time, thousands of executives work from home, and for many home is their primary office.
- I am Involved in All All Major Decisions concerning KRC.
- I, Dianne Kilday exemplify the spirit of the HUB definition and am in fact an Historically Under-utilized Business.

Based on the above information I respectfully request that this appeal be approved and that my HUB status be reinstated at this time. Thank you very much.

Date 12/7/07

Signature Dianne K. Kilday

EXECUTIVE DIRECTOR
Edward L. Johnson



04255 & 04260

CHAIRMAN
Brenda Pejovich

COMMISSIONERS
Stuart S. Coleman
James S. Duncan
Bob Jones
Victor E. Leal
Betty Reinbeck
Barkley J. Stuart

Texas Building and Procurement Commission

June 4, 2007

Dianne Kilday
Kilday Realty Corp
5005 Riverway Ste 330
Houston, TX 77056

VID Number: 17605964455
File Number: 78178

RE: Historically Underutilized Business (HUB) Compliance Review (Non-Eligibility Determination Notice)

Dear Mrs. Kilday:

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Criterion I - Economically Disadvantaged Person
(U.S. Citizenship/Ethnicity/Gender/Texas Residency)

-Meets Criterion -Does Not Meet Criterion

A review of official documentation must substantiate that the person claiming to be economically disadvantaged is a member of a qualifying group (Asian Pacific Americans, Black Americans, Hispanic Americans, Native Americans and American Women) recognized for HUB certification, as well as a resident of the State of Texas.

Criterion II - Ownership

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Criterion III - Proportionate Interest and Active Participation
(Control, Operation, and Management)

-Meets Criterion -Does Not Meet Criterion

The economically disadvantaged person(s) must be able to make independent and unilateral business decisions which guide the future and destiny of the business, and must be proportionately responsible for the direction and management of the business. A review of the business documentation must substantiate the economically disadvantaged persons' proportionate interest and active participation in the control, operation and management of the business. The economically disadvantaged person(s) must have control over the day-to-day decisions and activities and shall supervise and control the affairs of the business [during the business' regularly established operating hours] without any formal or informal restrictions. Absentee or titular ownership and participation by the economically disadvantaged person(s) is not consistent with the HUB eligibility requirements.

Dianne Kilday
June 4, 2007
Page 2

04255 & 04260

Also, as part of determining if the eligible HUB owner(s) have proportionate interest and active participation in the control, operation and management of a sole proprietorship, the business should be ultimately controlled, operated and managed by the sole owner.

After our on-site review with you, we were able to determine that you have limited active participation in the day-to-day operations, and managerial control of the company affairs, you are present only 2 hours per day, and the non eligible owner's Mr. Royce Kilday, and Mr. Les Kilday are present 8 hours per day. Therefore we can not determine that you meet this criterion.

Criterion IV - Principal Place of Business in Texas

-Meets Criterion -Does Not Meet Criterion

A review of the business documentation must substantiate that the business has a permanent business office located in Texas where the economically disadvantaged person(s) makes the decisions, controls the daily operations of the organization and participates in the business.

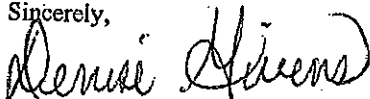
Although we have determined that your firm does not meet the HUB eligibility requirements, we offer you an opportunity to respond in writing within 30-days. Mail your response to the following address and include supporting documentation addressing the criteria(s) that were cited as not being met:

**Texas Building and Procurement Commission
HUB Program - M/S 303-21
Attention: Suzette Ballenger, HUB Certification and Compliance Supervisor
1711 San Jacinto Blvd. • P.O. Box 13047
Austin, Texas 78701**

Please note that failure to be certified as a HUB does not preclude a firm from participating in the state's purchasing and contracting opportunities. The HUB Rules may be view on-line at <http://www.tbpc.state.tx.us/hub/index.html>.

If you have any questions regarding this matter, I may be reached at (512) 463-8546, or in Texas call toll free (888) 863-5881.

Sincerely,



Denise Givens
HUB Certification Specialist

Enclosure(s)

cc: Suzette Ballenger, TBPC, HUB Certification and Compliance Supervisor

SOUTHWEST HOUSING

04427

Received

OCT 18 2007

October 16, 2007

Texas Department of Housing & Community Affairs
Attn: Ben Sheppard
Multifamily Division
221 East 11th Street
Austin, Texas 78701-2401

RE: TX Old Manor Housing, LP / Rosemont at Hidden Creek; (TDHCA # 04427)

Dear Mr. Sheppard:

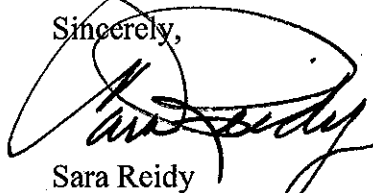
As noted in the attached formal application amendment request dated August 21, 2007 for the above-mentioned property, it is the request of the development to seek approval from the department for the unit mix and parking space downgrade.

The development requests approval from the Department to substitute such reduction by substituting with the following amenities:

- Furnished fitness center
- Library
- Refrigerators with ice makers

I have included picture(s) of the additional amenity for you review. Thank you for your consideration of this information. Should you have any question or need clarification, feel free to call me at 214-891-7824.

Sincerely,



Sara Reidy
Executive Vice President
Southwest Housing; Development Finance

Encl/js

August 21, 2007

Texas Department of Housing & Community Affairs
Attn: Ben Sheppard
507 Sabine, Suite 400
Austin, TX 78711-3941

Re: Rosemont at Hidden Creek (TDHCA #04427)

Dear Mr. Sheppard,

In Exhibit 5 "Population Served" of Rosemont at Hidden Creek's LITHC application the Development Owner committed to the following unit mix:

52 1-bdrm/1bath units at 750 sq. ft.
112 2-bedrm/2-bath units at 950 sq. ft.
86 3-bdrm/2-bath units at 1100 sq. ft.
250 total units

The "Units Committed" mix in the application was the optimum mix per the QAP for 1, 2 and 3 bedroom units. Post application, it was discovered that the development design did not have the correct building types to arrive at the intended unit mix. Since this was a new requirement, the architect was unable to re-design the buildings to accommodate the unit mix committed to in the application.

The redesign process by the architect would have caused a 60 to 90-day delay obtaining the building permits. This would not allow us to close within the 150 day timeframe. Therefore, it was not feasible to match the intended unit mix shown at application.

The following unit mix is provided at the Development:

64 1-bdrm/1bath units at 750 sq. ft.
100 2-bedrm/2-bath units at 950 sq. ft.
86 3-bdrm/2-bath units at 1100 sq. ft.
250 total units

Please accept this letter as a formal request to amend the application to provide the unit mix at the property as developed. This does not adversely affect the original application nor does it materially alter the development in a negative manner. TDHCA's Real Estate Analysis Department is in receipt of the Cost Certification.

In addition to the unit mix it appears that there is a discrepancy between the number of parking spaces provided at application and at completion. According to the application/underwriting report we were to provide 525 uncovered parking spaces. This property is not located in the City of Austin therefore we are not required to maintain the City's parking ratio of 525 spaces. Per exhibit 5A (Cost Certification Manual) the architect certified 388 parking spaces which was acceptable Travis County. I formally request an amendment to the application to provide for the number of parking spaces.

Should you have any questions or need clarification, feel free to call me at 214-891-7824.

Sincerely,



Sara Reidy
Executive Vice President of Development Finance

Received

5485 Belt Line Road
Suite 300
Dallas, Texas 75254

(972) 980-9810
(972) 980-1559 Fax

July 31, 2007

AUG - 2 2007

Mr. Ben Sheppard
.....
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78701

Dear Mr. Sheppard:

We have experienced a large increase in construction cost for our Samuels Place Apartments (TDHCA #05004). Although we did receive an additional allocation of \$20,734 to cover our additional costs providing approximately \$200,000 more in sources, our cost have increased by slightly more than \$1 million dollars since the application. There are several reasons for this including noise reduction measures required because of the nearby rail line, split foundations required because of the topography of the site, and generally a rise in building costs specifically because of the small number of units (36) in this transaction.

Originally, the sponsor contemplated twelve public housing units and had therefore set these twelve units as 30% units. Because of the increase in costs and our desire to obtain more debt to pay for these costs, we are no longer planning to place public housing units in this development. However, these still have a 30% area median income set aside which restricts the rent on the units. We would like to request a change in eight of the twelve units from 30% AMI units to 60% AMI. This would leave four units (11%) at 30% AMI. We do not believe our requested change would have changed the scoring of our application because the 4 units at 30% AMI will still fulfill the requirement of section 49.9(g)(3)(B), for which we took 22 points. This change would allow us to obtain about \$420,000 in additional debt to combine with deferred developer fee to cover the higher construction costs and continue to make this a viable development.

We do not believe this amendment should result in any penalty under section 49.9(c) of the 2007 QAP because we are requesting this change in the early part of construction, prior to implementation of the income set asides. We also think penalties under section 49.17(d)(8) of the 2007 QAP are not applicable because no points would be lost as a result of the request modification.

I've enclosed a revised rent schedule, operating expense schedule, 30 year pro forma, development cost schedule and sources and uses schedule reflecting the change we are requesting along with an amendment request check of \$2,500.

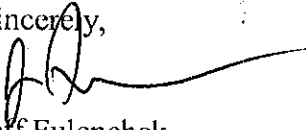
Thank you for your time on this matter. Should you have any question on this matter, please feel free to call me at (972) 980-9810.

HTC 05004

Received

AUG - 2 2007

Sincerely,



Jeff Fulenchek
Director of Affordable Housing,
Carleton Development, Ltd., co-developer
Of Samuels Place

enclosures





Apollo Equity Partners
600 Superior Avenue, Suite 2300
Cleveland, OH 44114

September 19, 2007

Telephone: (216) 875-2626

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78701

Dear Mr. Sheppard:

We have been advised that the Texas Department of Housing and Community Affairs ("TDHCA") has requested a letter stating that development of Samuels Place Apartments (TDHCA #05004) is financially infeasible without approval of the pending amendment request changing eight of the twelve units from 30% AMI units to 60% AMI. The change in the rent level would allow a permanent debt level of between \$1,650,000 and \$1,700,000 depending on interest rate levels. At this level of debt, \$229,239 of the \$425,098 developer fee is deferred at permanent conversion. However, if Samuels Place is required to maintain its current 12 units at 30% of AMI, it would yield approximately \$35,000 less in net operating income. This change would force a lower debt amount by \$350,000 to \$400,000. Even deferring the entire developer fee would not make up this gap, leaving the development infeasible. Because of the importance of this issue, you will note from the copy of our letter of intent provided to you by the developer that our first equity contribution is dependent on approval of this amendment request.

We have done a great deal of underwriting on this development and are ready to close pending resolution of this issue. Please let us know if there is anything that we can help you with in regards to getting this amendment approved.

Sincerely,

A handwritten signature in black ink, appearing to read "D J Kierce".

Daniel J. Kierce
Regional Director
Apollo Equity Partners



September 20, 2007

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78701

Dear Mr. Sheppard:

Bank of America has been advised that the Texas Department of Housing and Community Affairs (“TDHCA”) has requested a letter stating that development of Samuels Place Apartments (TDHCA #05004) is financially infeasible with out approval of the pending amendment request changing eight of the twelve units from 30% AMI units to 60% AMI. The change in the rent level would allow a permanent debt level of between \$1,650,000 and \$1,700,000 depending on interest rate levels. At this level of debt, \$229,239 of the \$425,098 developer fee is deferred at permanent conversion. However, if Samuels Place is required to maintain its current 12 units at 30% of AMI, it would yield approximately \$35,000 less in net operating income. This change would force a lower debt amount by between \$350,000 to \$400,000. Even deferring the entire developer fee would not make up this gap, leaving the development infeasible. Because of the importance of this issue, you will note from the copy of our letter of intent provided to you by the developer that our financing (both the construction and permanent loans) is dependent upon approval of this amendment request.

We have done a great of underwriting on this development and are ready to close pending resolution of this issue. Please let us know if there is anything that we can help you with in regards to getting this amendment approved.

Sincerely,

Bank of America

A handwritten signature in cursive script that reads "Valerie A. Williams".

Valerie A. Williams
Senior Vice President
214-209-3219

LOCKE LIDDELL & SAPP PLLC

ATTORNEYS & COUNSELORS

100 CONGRESS
SUITE 300
AUSTIN, TX 78701-4042

AUSTIN • DALLAS • HOUSTON • NEW ORLEANS • WASHINGTON, D.C.

Phone: (512) 305-4700
Fax: (512) 305-4800
www.lockeliddell.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

August 20, 2007

VIA HAND DELIVERY

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

Received

Re: **Amendment Request -- Site Plan Change**
Mesa Vista Apartments in Donna, Texas
TDHCA No. 05026

AUG 20 2007



Dear Ben:

We represent M V Housing, Ltd. (the "**Partnership**"), which is the owner of the Mesa Vista multifamily housing complex in Donna, Texas (the "**Property**"). The Partnership received low-income housing tax credits ("**Tax Credits**") for the construction of the Property in the 2005 application round.

Amendment Request

The purpose of this letter is to request approval of an amendment to the Property's site plan.

Detailed Description

The Tax Credit application for the Property contemplated that the Property would have five (5) buildings on approximately four (4) acres. In the application, TDHCA was also advised that the Mesa Vista Apartments were intended as replacement housing for the demolition and reconstruction of twenty (20) existing units of the Donna Housing Authority ("**DHA**"). Some of these existing units were occupied by senior citizens. Thus, although the Mesa Vista Apartments was being developed for the general population, DHA wanted to be able to accommodate the relocation of those senior citizens at the Property in the best possible manner. More specifically, DHA wanted all of the one-bedroom units on the Property to be on the ground floor.

As the Partnership completed the design phase of the Property, DHA and the Partnership determined that the site could be rearranged so that all of the one-bedroom units would be on the first floor. This involved the construction of one (1) additional building and the acquisition of two (2)

Mr. Ben Sheppard
August 20, 2007
Page 2

additional acres. The two (2) additional acres increased the purchase price for the land by \$30,000, which was accommodated by the contingency in the overall development budget.

The addition of a residential building was noted in TDHCA's property inspection, triggering the submission of this amendment request.

Please note the following about the revision of the site plan:

- The total net rentable square footage for the Property remains the same.
- The unit mix remains the same.
- The set-asides remain the same.
- There is no change in the amenities proposed for the Property.
- There is no change in the scoring of the Tax Credit application.
- The Property is actually less dense, with more green space, and is more desirable for the tenants in Donna.
- The overall development budget does not change, except for the \$30,000 increase in the purchase price for the land and a corresponding decrease in the contingency.
- The sources and uses and 30-year pro forma do not change.
- The rent schedule, utility allowances, and statement of annual expenses do not change.

To assist with your review of this request, the following attachments are provided:

- Exhibit A: Letter from DHA, indicating its desire for the site plan change to accommodate certain elderly tenants.
- Exhibit B: A copy of the original site plan, unit plan, and building plan, submitted with the Tax Credit application.
- Exhibit C: A copy of the revised site plan, unit plan, and building plan.
- Exhibit D: A copy of the General Warranty Deed by which the Partnership acquired approximately six (6) acres for the site.

Conclusion

Please provide approval for the change in site plan for Mesa Vista Apartments; 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. If this amendment requires Board approval, please include this amendment request for consideration at the next available TDHCA Board meeting. If you need additional information to process this request, please feel free to contact me or the Property owner. Thank you.

Sincerely,



Cynthia L. Bast

Enclosures

cc: Gavin Reid
TDHCA Compliance

Realtex Development Corp.

Donna Housing Authority

Exhibit A

To Amendment Request

Mesa Vista Apartments

Letter from DHA

THE HOUSING AUTHORITY OF THE CITY OF DONNA

HTC 05026

August 17, 2007

Mr. Rick Deyoe
President
Realtex Development Corporation
912 South Capital of Texas Highway, Suite 200
Austin, Texas 78746

RE: TDHCA # 05026: Mesa Vista Apartments, Donna, Texas 78537

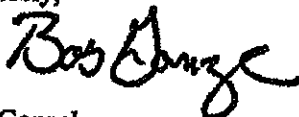
Dear Mr. Deyoe:

We have been made aware of the TDHCA inspection letter dated July 19, 2007 which describes Deficiency # 1 relating to the number of buildings on the Mesa Vista Apartments site. As you know, we at the Donna Housing Authority requested from the developer certain accommodations during the design process which impacted the site plan subsequent to the TDHCA application submittal. More specifically, the Mesa Vista Apartments included the replacement of several of our existing units on scattered sites; several of these units were occupied by seniors. It was our wish that, as these seniors were potentially relocated to the new Mesa Vista development, they would be able to relocate to first floor one bedroom units. Although we realize that the Mesa Vista application contemplated families, we sought to accommodate these seniors if possible.

As we progressed through the final design phase, and in numerous discussions with the design team, it became apparent that it would be possible to redesign so that additional one bedroom units were placed at first floor locations; however this required the addition of one building. The unit mix did not change. In addition, we were able to go to the landowner and expand the site so that the development density actually lowered and there was still plenty of parking and green space for the residents. All in all, with your help, we were able to accommodate these design revision with no negative impact to the development, and the Mesa Vista Apartments are now much more marketable and serve our residents much better than the original design.

We are extremely happy with the development and would hope that the Agency understands and concurs with the improvements that we made over and above the design reflected in the original application. Please let us know if you have any questions.

Sincerely,



Bob Gonzalez



EQUAL HOUSING
OPPORTUNITY

705 SILVER AVENUE * P.O. BOX 667 * DONNA, TEXAS 78587
PHONE: (956) 464-4475 * FAX: (956) 461-3798
E-MAIL: Txdha@valleyonline.com

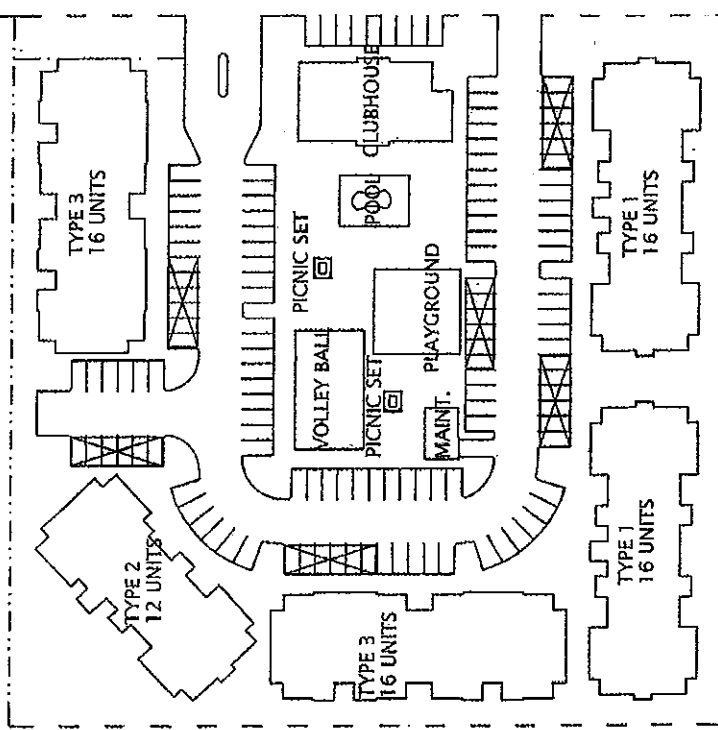
Exhibit B

To Amendment Request

Mesa Vista Apartments

Original Site Plan, Unit Plan, and Building Plan

STITES STREET



SALINAS STREET

NOTES:

PICNIC SETS WITH TABLES, GRILLS AND TRASH RECEPTACLES TO BE PLACED AT MULTIPLE LOCATIONS ACROSS SITE

CLUBHOUSE TO CONTAIN LEASING, FITNESS CENTER, MEDIA ROOM/ACTIVITIES CENTER, SUPPORTIVE SERVICES, BUSINESS CENTER, LAUNDRY ROOM AND EXTERIOR PUBLIC PHONE

SITE IS LOCATED IN SHADED ZONE B ON THE FLOOD INSURANCE RATE MAP, INDICATING THAT IT IS BETWEEN THE LIMITS OF THE 100 YEAR AND 500 YEAR FLOOD PLAINS; OR CERTAIN AREAS SUBJECT TO 100 YEAR FLOODING W/ AVERAGE DEPTHS LESS THAN ONE (1) FOOT OR WHERE THE CONTRIBUTING DRAINAGE AREA IS LESS THAN ONE SQUARE MILE; OR AREAS PROTECTED BY LEVEES FROM THE BASE FLOOD. (RATE MAP 480334 0425 C DATED 11/16/82)



HTC 05026

NDA

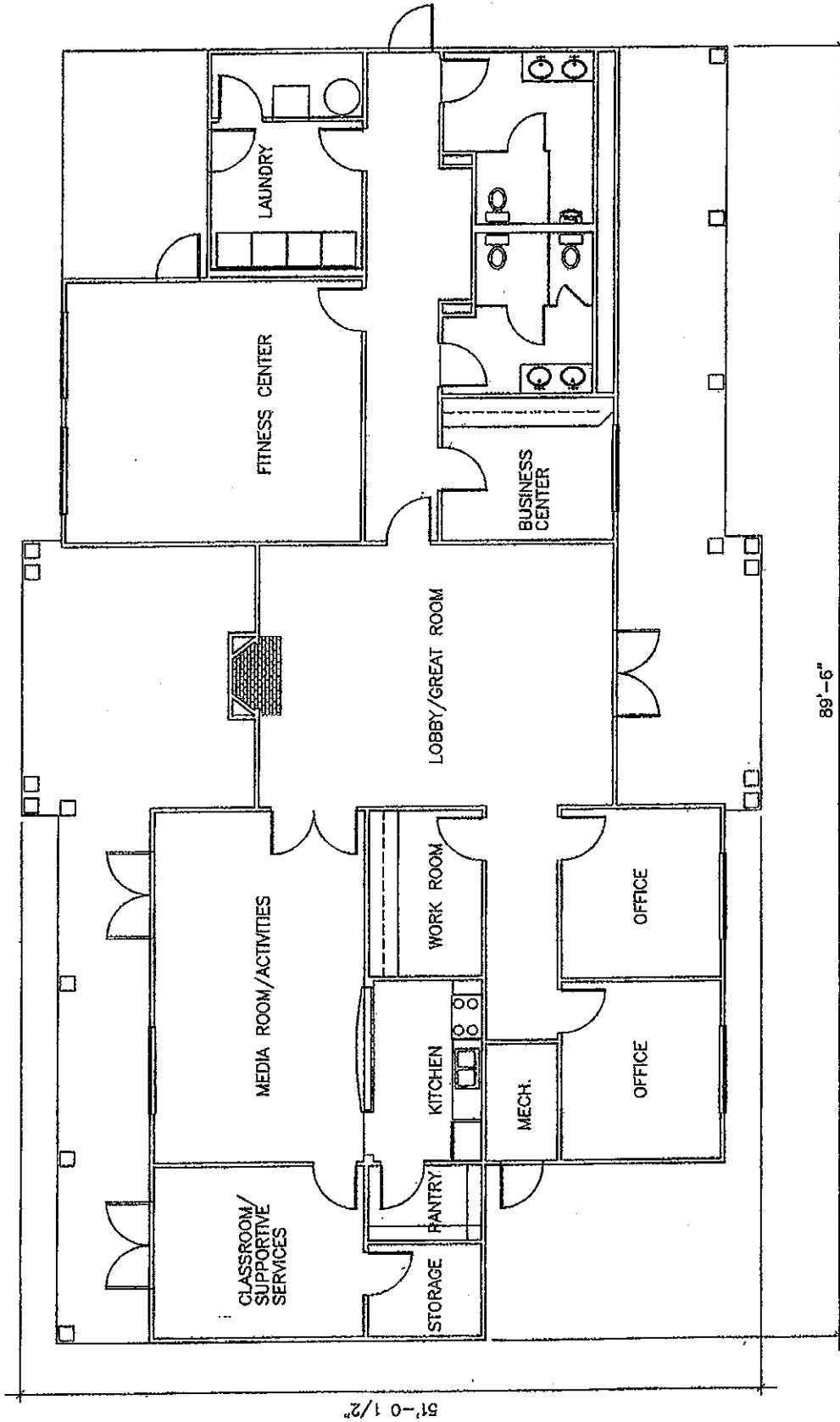
MESA VISTA APARTMENTS

01/05

SK-1

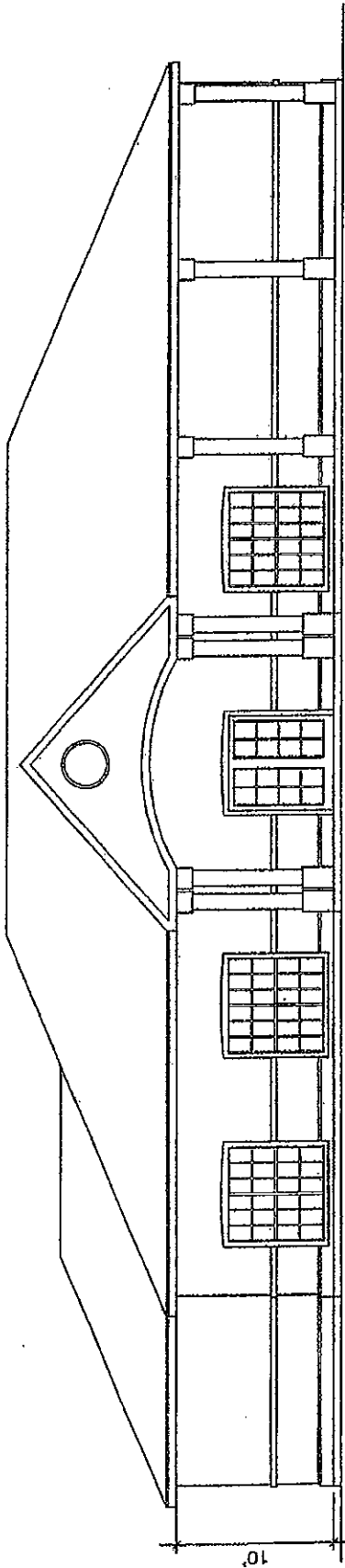
SITE PLAN

SCALE: 1"=100'-0"

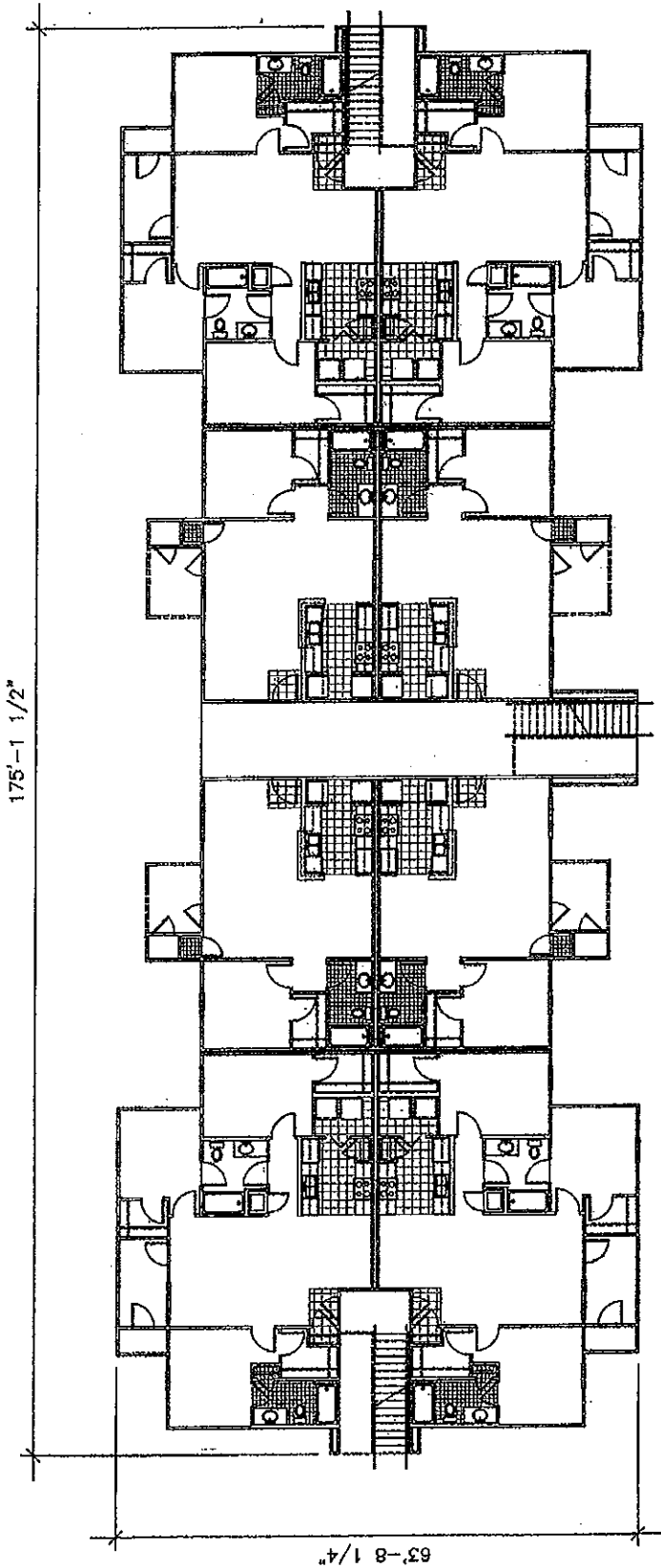


NDA MESA VISTA APARTMENTS 01/05

SK-111 CLUBHOUSE/LEASING SCALE: 1" = 10'-0"



NDA MESA VISTA APARTMENTS 01/05
SK-12 CLUBHOUSE/LEASING 100% STUCCO SCALE: 1" = 10'-0"



01/05

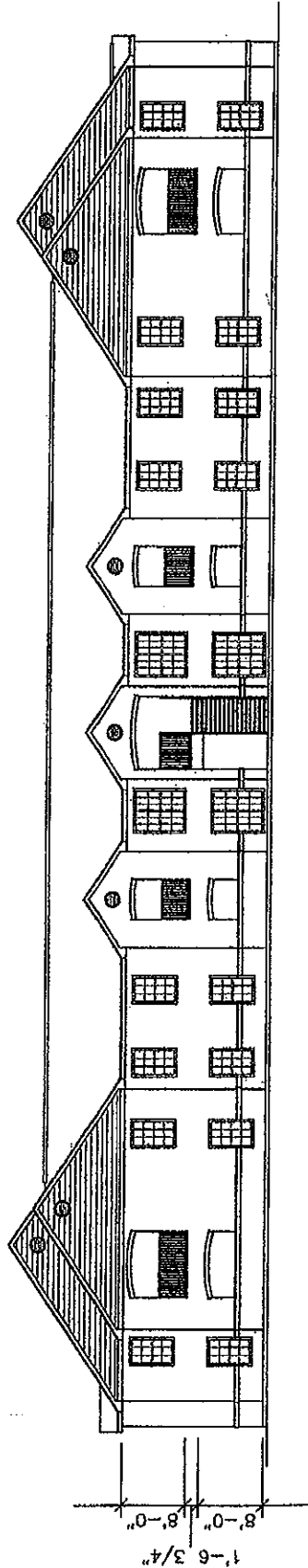
SCALE: 1" = 20'-0"

MESA VISTA APARTMENTS

BUILDING TYPE 1 PLAN

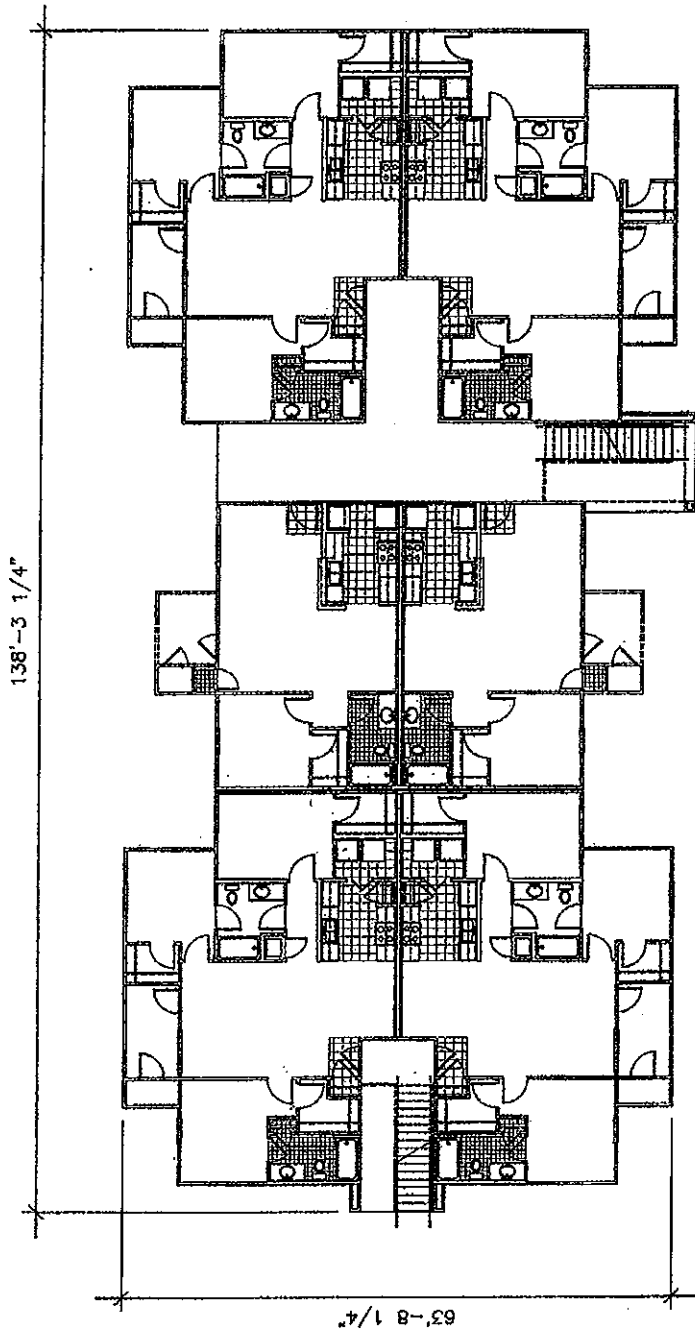
NDA

SK-5

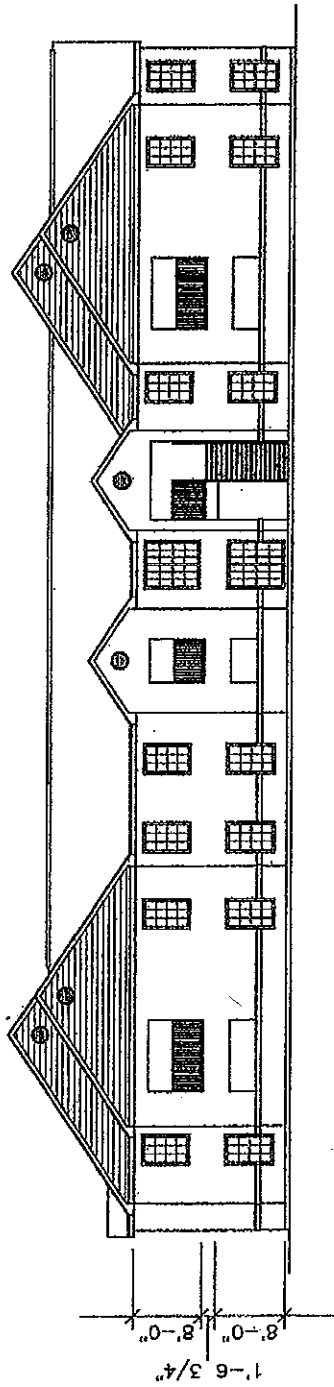


NDA MESA VISTA APARTMENTS 01/05

SK-6 TYPE 1 - 50% STUCCO / 50% HARDI-PLANK SIDING SCALE: 1" = 20'-0"



NDA	MESA VISTA APARTMENTS	01/05
SK-7	BUILDING TYPE 2 PLAN	SCALE: 1" = 20'-0"



01/05

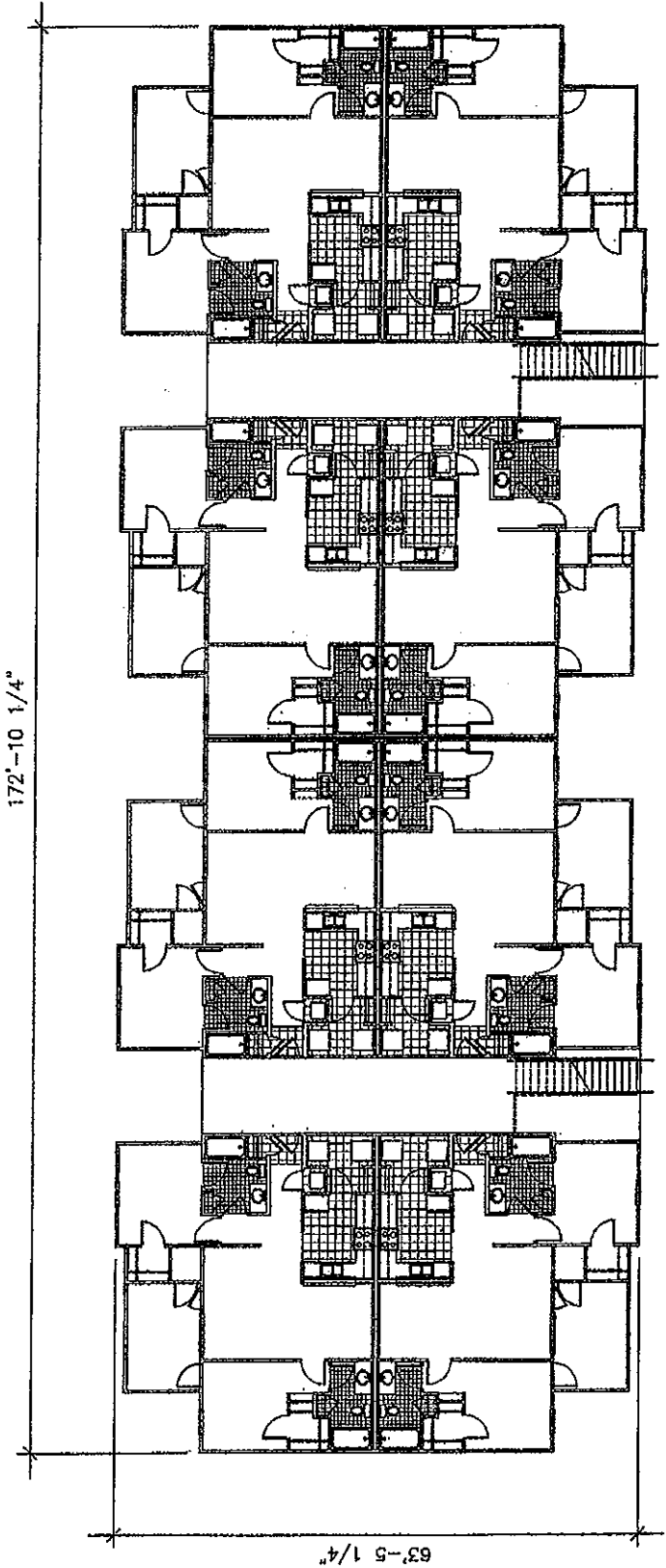
MESA VISTA APARTMENTS

SCALE: 1" = 20'-0"

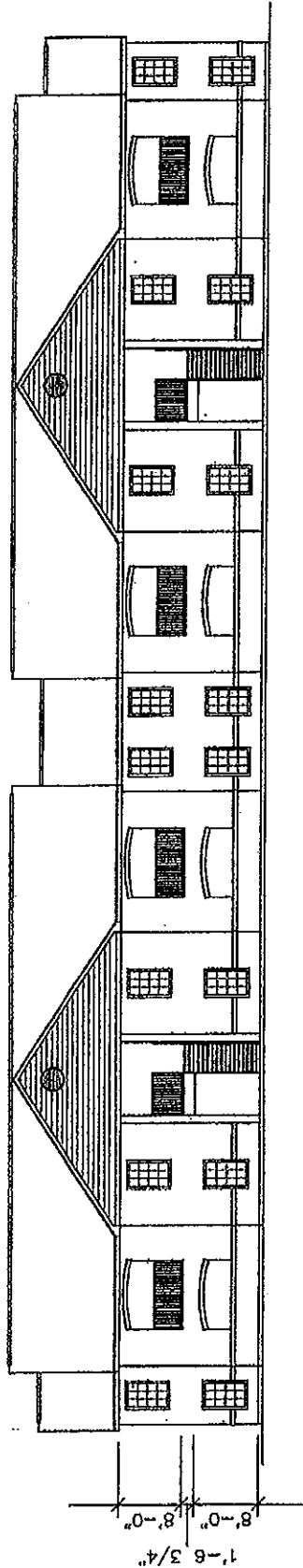
TYPE 2- 50% STUCCO / 50% HARDI-PLANK SIDING

NDA

SK-8



NDA MESA VISTA APARTMENTS 01/05
SK-9 BUILDING TYPE 3 PLAN SCALE: 1" = 20'-0"



01/05

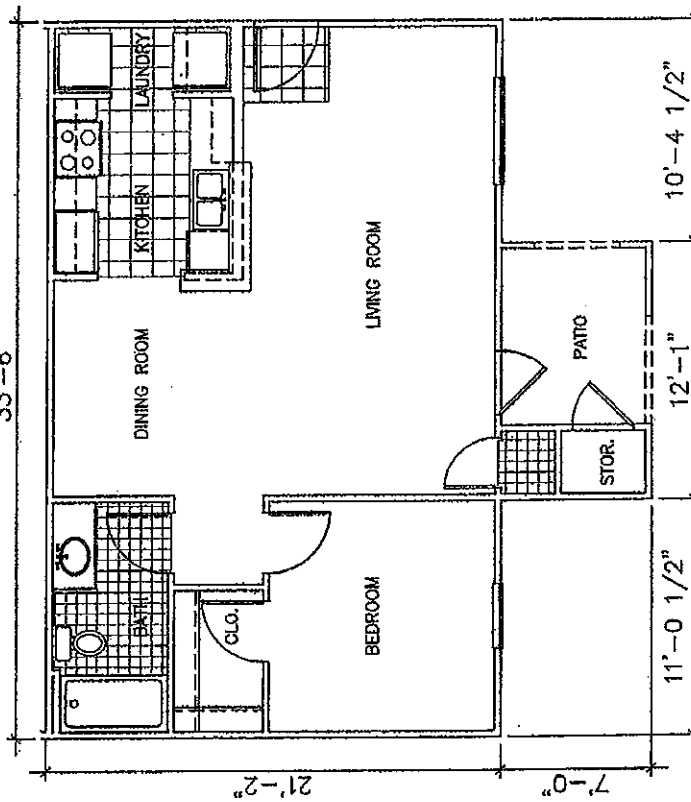
MESA VISTA APARTMENTS

SCALE: 1" = 20'-0"

TYPE 3 - 50% STUCCO / 50% HARDI-PLANK SIDING

NDA

SK-10



NOTES:

- ALL GROUND FLOOR UNITS TO BE CONSTRUCTED AS HANDICAPPED ADAPTABLE UNITS PER THE REQUIREMENTS OF THE FAIR HOUSING ACT
- 5% OF UNITS TO BE CONSTRUCTED AS ACCESSIBLE UNITS PER THE REQUIREMENTS OF I.A.S.
- 2% OF UNITS TO BE EQUIPPED FOR PERSONS WITH AUDIO/VISUAL IMPAIRMENTS
- ALL UNITS TO MEET OR EXCEED THE REQUIREMENTS OF THE 2000 IECC AND ARE AIR-CONDITIONED.

NDA

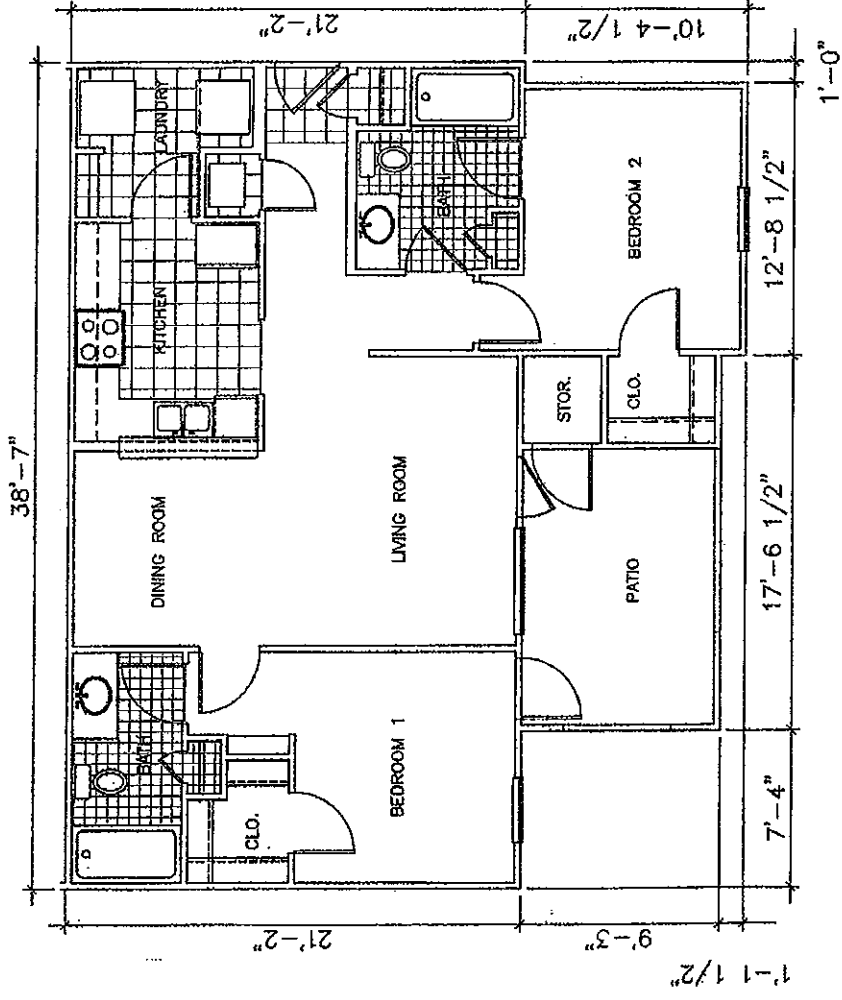
MESA VISTA APARTMENTS

01/05

SK-2

ONE BEDROOM/ONE BATH 709 SQ. FT.

SCALE: 1/8"=1'-0"



NOTES:
 ALL GROUND FLOOR UNITS TO BE CONSTRUCTED AS HANDICAPPED ADAPTABLE UNITS PER THE REQUIREMENTS OF THE FAIR HOUSING ACT
 5% OF UNITS TO BE CONSTRUCTED AS ACCESSIBLE UNITS PER THE REQUIREMENTS OF I.A.S.
 2% OF UNITS TO BE EQUIPPED FOR PERSONS WITH AUDIO/VISUAL IMPAIRMENTS
 ALL UNITS TO MEET OR EXCEED THE REQUIREMENTS OF THE 2000 IECC AND ARE AIR-CONDITIONED.

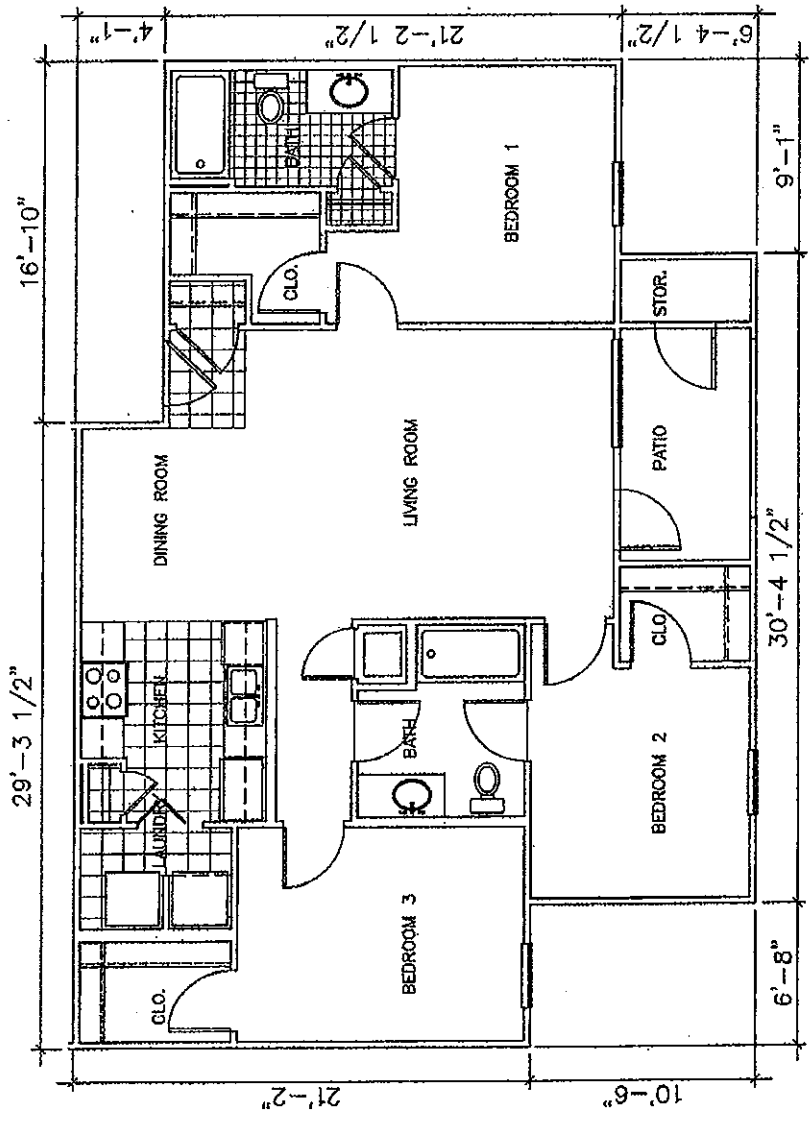
NDA
SK-3

MESA VISTA APARTMENTS

01/05

TWO BEDROOM/TWO BATH 962 SQ. FT.

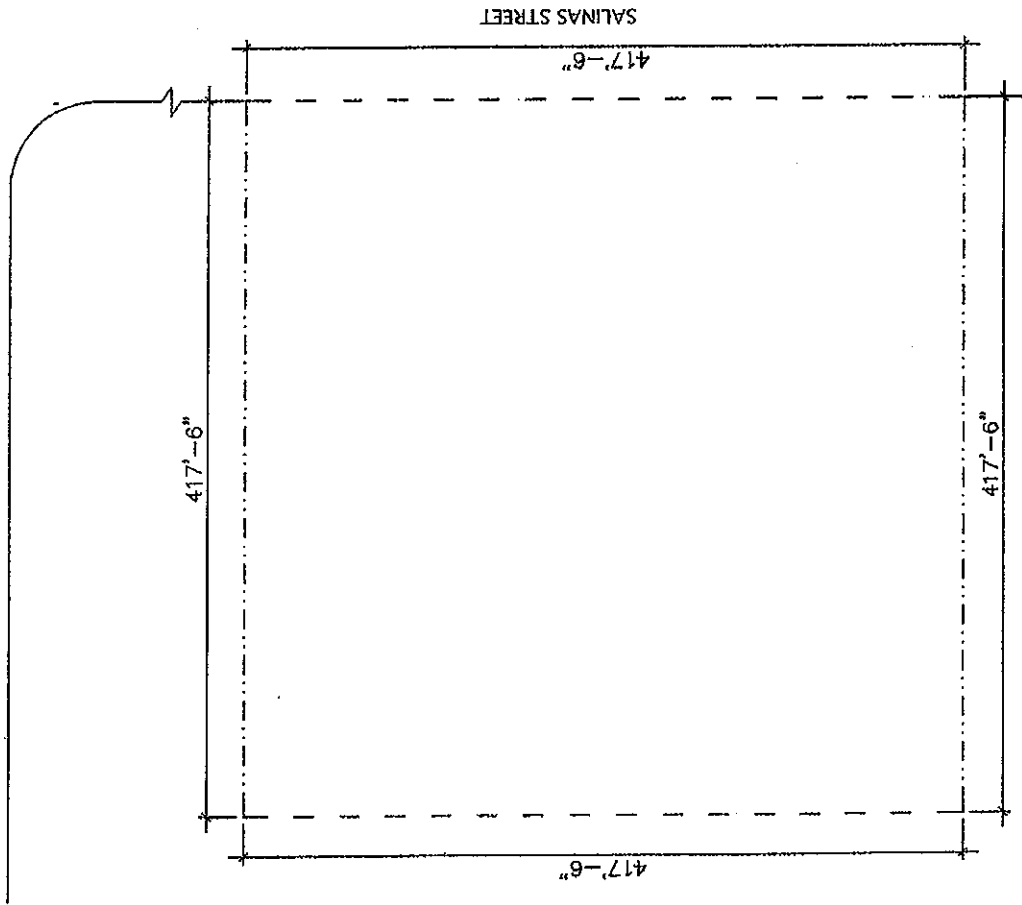
SCALE: 1/8"=1'-0"



NOTES:
 ALL GROUND FLOOR UNITS TO BE CONSTRUCTED AS HANDICAPPED ADAPTABLE UNITS PER THE REQUIREMENTS OF THE FAIR HOUSING ACT
 5% OF UNITS TO BE CONSTRUCTED AS ACCESSIBLE UNITS PER THE REQUIREMENTS OF T.A.S.
 2% OF UNITS TO BE EQUIPPED FOR PERSONS WITH AUDIO/VISUAL IMPAIRMENTS
 ALL UNITS TO MEET OR EXCEED THE REQUIREMENTS OF THE 2000 IECC AND ARE AIR-CONDITIONED.

NDA MESA VISTA APARTMENTS 01/05
SK-4 THREE BEDROOM/TWO BATH 1,162 SQ. FT. SCALE: 1/8" = 1'-0"

STITES STREET



NDA MESA VISTA APARTMENTS

01/05

SK-0.1 BOUNDARY SURVEY

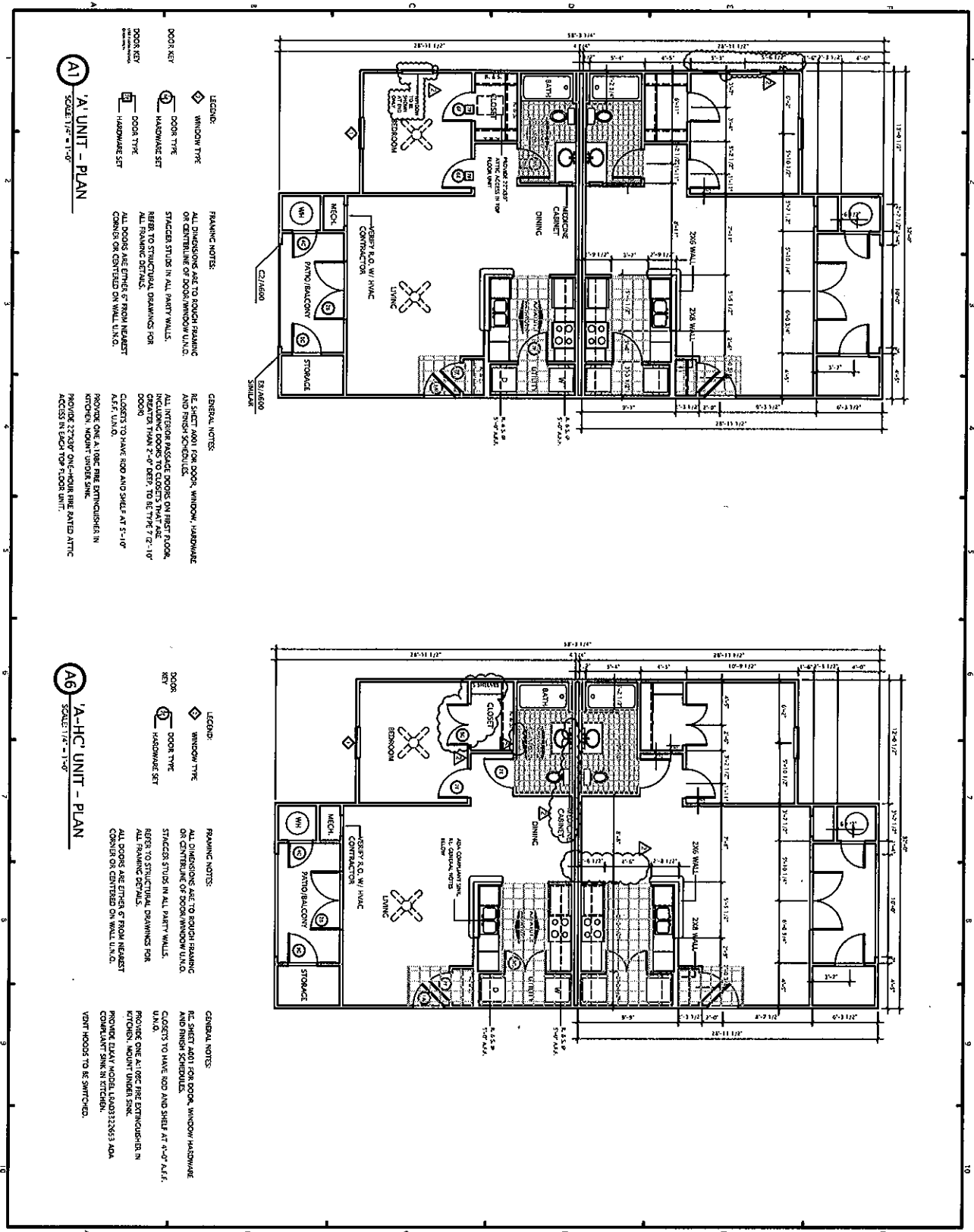
SCALE: 1"=100'-0"

Exhibit C

To Amendment Request

Mesa Vista Apartments

Revised Site Plan, Unit Plan, and Building Plan



LEGEND:

- WINDOW TYPE
- DOOR TYPE
- HARDWARE SET
- DOOR TYPE
- HARDWARE SET

FRAMING NOTES:

- ALL DIMENSIONS ARE TO FINISH FRAMING OR CENTERLINE OF DOOR/WINDOW U.N.O.
- STACED STUDS IN ALL PARTY WALLS.
- REFS TO STRUCTURAL DRAWINGS FOR ALL FRAMING DETAILS.
- ALL DOORS ARE EITHER 5' FROM NEAREST CORNER OR CENTERED ON WALL U.N.O.

GENERAL NOTES:

- RE: SHEET A101 FOR DOOR, WINDOW, HARDWARE AND FINISH SCHEDULES.
- ALL INTERIOR HINGED DOORS ON FIRST FLOOR, OPERATE TO HAVE 2'-0" CLEAR TO BE TYPE 7'-0" DOORS.
- CLOSETS TO HAVE ROD AND SHELF AT 5'-10" A.F.F. U.N.O.
- PROVIDE ONE A-100C FIRE EXTINGUISHER IN KITCHEN, MOUNT UNDER SINK.
- PROVIDE 2250V ONE-HOUR FIRE RATED ATTIC ACCESS IN BACK TOP FLOOR UNIT.

A1 A-UNIT - PLAN
SCALE: 1/8" = 1'-0"

LEGEND:

- WINDOW TYPE
- DOOR TYPE
- HARDWARE SET
- DOOR KEY
- HARDWARE SET

FRAMING NOTES:

- ALL DIMENSIONS ARE TO FINISH FRAMING OR CENTERLINE OF DOOR/WINDOW U.N.O.
- STACED STUDS IN ALL PARTY WALLS.
- REFS TO STRUCTURAL DRAWINGS FOR ALL FRAMING DETAILS.
- ALL DOORS ARE EITHER 5' FROM NEAREST CORNER OR CENTERED ON WALL U.N.O.

GENERAL NOTES:

- RE: SHEET A101 FOR DOOR, WINDOW, HARDWARE AND FINISH SCHEDULES.
- CLOSETS TO HAVE ROD AND SHELF AT 4'-0" A.F.F. U.N.O.
- PROVIDE ONE A-100C FIRE EXTINGUISHER IN KITCHEN, MOUNT UNDER SINK.
- PROVIDE 2250V ONE-HOUR FIRE RATED ATTIC ACCESS IN BACK TOP FLOOR UNIT.
- VENT HOODS TO BE SWITCHED.

A6 A-HC UNIT - PLAN
SCALE: 1/8" = 1'-0"

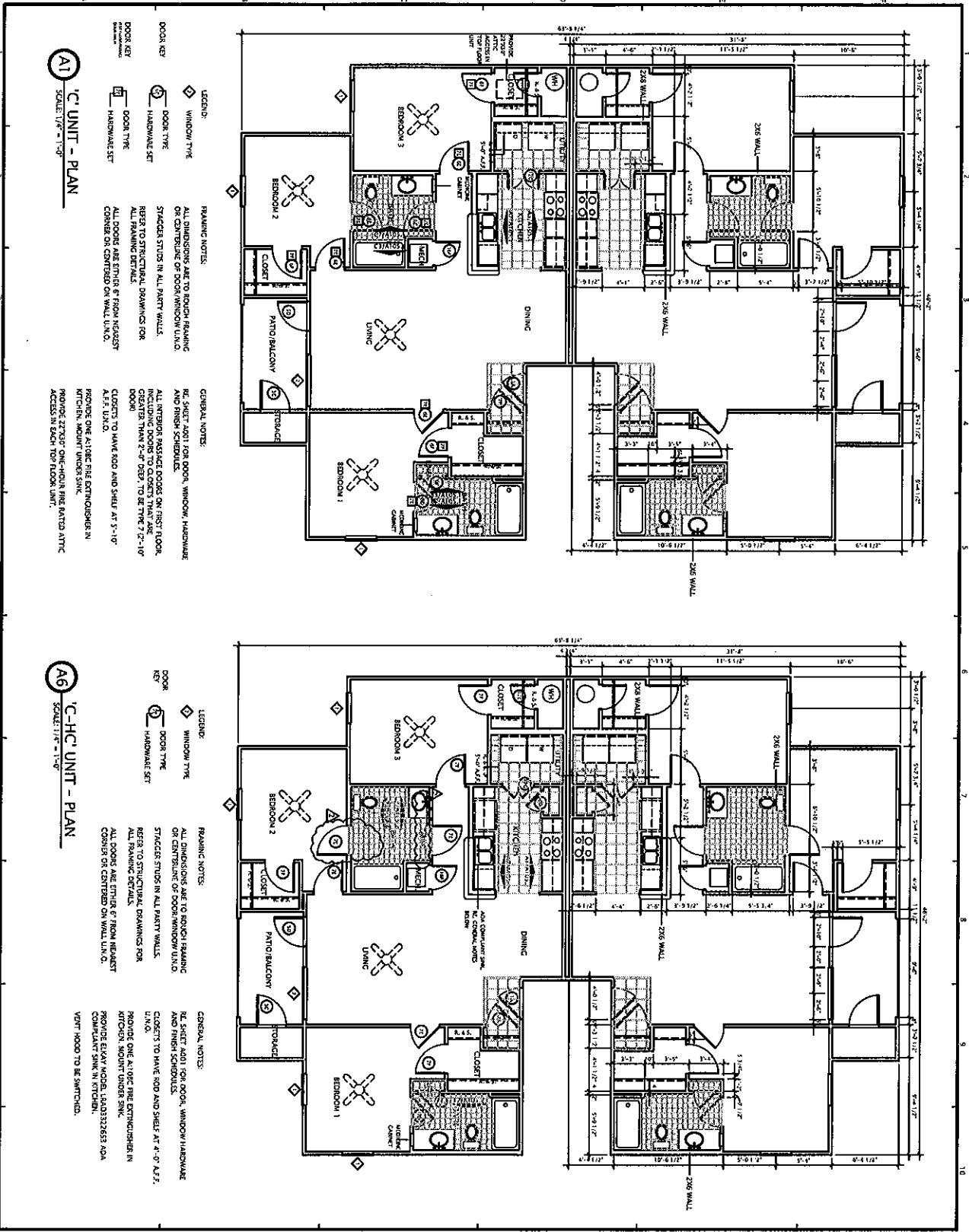
MESA VISTA APARTMENTS
DONNA, TEXAS
MV HOUSING, LTD.
NDA PROJECT # 2005-10

A100 UNIT PLANS
A AND A-HC UNITS

Issue	Date	Description
1	01/30/06	ISSUE FOR PERMIT
2	05/22/06	RFP #1

nda northfield design associates, Inc.
813-B WEST 11TH STREET AUSTIN, TX 78701
512/302-1458 v nda@nda-austin.com
512/302-1482 f

THESE DRAWINGS AND THEIR CONTENTS REMAIN THE PROPERTY OF NORTHFIELD DESIGN ASSOC. PLLC AND MAY NOT BE USED FOR ANY PURPOSE EXCEPT THE CONSTRUCTION OF THE PROPERTY DESCRIBED HEREIN WITHOUT WRITTEN CONSENT FROM NORTHFIELD DESIGN ASSOCIATES, PLLC. ELECTRONIC COPIES OF DRAWINGS ARE ISSUED TO CONSULTANTS FOR COORDINATION ONLY. ARCHITECT ASSUMES NO RESPONSIBILITY FOR DRAWINGS WHEN USED OR MODIFIED BY OTHERS.



MESA VISTA APARTMENTS
DONNA, TEXAS
MV HOUSING, LTD.
NDA PROJECT # 2005-10
A104 UNIT PLANS
C AND C-HC UNITS

Issue	Date	Description
1	01/30/06	ISSUE FOR PERMIT
2	05/22/06	RFP #1

nda northfield design associates, Inc.
813-B WEST 11TH STREET AUSTIN, TX 78701
512/302-1458 v nda@nda-austin.com
512/302-1482 f

THESE DRAWINGS AND THEIR CONTENTS REMAIN THE PROPERTY OF NORTHFIELD DESIGN ASSOC. PLLC AND MAY NOT BE USED FOR ANY PURPOSE EXCEPT THE CONSTRUCTION OF THE PROPERTY DESCRIBED HEREIN WITHOUT WRITTEN CONSENT FROM NORTHFIELD DESIGN ASSOCIATES, PLLC. ELECTRONIC COPIES OF DRAWINGS ARE ISSUED TO CONSULTANTS FOR COORDINATION ONLY. ARCHITECT ASSUMES NO RESPONSIBILITY FOR DRAWINGS WHEN USED OR MODIFIED BY OTHERS.

Exhibit D

To Amendment Request

Mesa Vista Apartments

General Warranty Deed

Charge to: VLTC
GF# 92444

NOTICE OF CONFIDENTIALITY RIGHTS: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the real property and/or public records: (a) your social security number, and/or (b) your driver's license number.

GENERAL WARRANTY DEED

STATE OF TEXAS

1537899

COUNTY OF HIDALGO

§
§
§

KNOW ALL MEN BY THESE PRESENTS THAT:

Donna Economic Development Corporation ("Grantor"), does hereby GRANT, CONVEY, ASSIGN and DELIVER to **Housing Authority of the City of Donna** (collectively, "Grantee"), the real property described on **Exhibit A**, attached hereto and made a part hereof (the "Property").

This conveyance of the Property is made subject to all restrictions, easements and other encumbrances affecting the Property that are recorded in the Real Property Records of Hidalgo County, Texas, but only to the extent that they are still in effect on the date hereof (the "Permitted Encumbrances").

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee and its successors and assigns, forever, and Grantor does hereby bind itself and its successors to warrant forever defend all and singular the Property unto Grantee and its successors and assigns against every person whomsoever lawfully claiming, or to claim the same, or any part thereof, subject, however, to the Permitted Encumbrances.

When the context requires, singular nouns and pronouns include the plural.

IN WITNESS WHEREOF, Grantor executes this General Warranty Deed to be effective as of October 27, 2005.

Grantor: DONNA ECONOMIC DEVELOPMENT CORPORATION

By: Guadalupe Castillo
Name: Guadalupe Castillo
Title: Chairman

Grantor's Address:
307 South 12th Street
Donna, Texas 78537

ORIGINAL

STATE OF TEXAS

§
§
§

COUNTY OF Hidalgo

This instrument was acknowledged before me on this 27th day of October, 2005, by Guadalupe Castillo, Chairman of **DONNA ECONOMIC DEVELOPMENT CORPORATION**, on behalf of said economic development corporation.

SEAL



Martha Alvarado
Notary Public, State of Texas

ORIGINAL

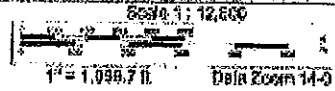
Return to:

Richard D. Morrow, Esq.
Locke Liddell & Sapp LLP
100 Congress Avenue
Suite 300
Austin, Texas 78701

EXHIBIT A SITE DESCRIPTION



Dorms Apartment Site
Total 1,673.7 ft
Area 3.81 ac



VASQUEZ SURVEYING INC.
5432 Amatista Drive
Brownsville, Texas 78521
(956) 541-9826 Fax (956) 541-9826

October 17, 2005
Job No. 646

Metes and Bounds Description

BEING A 6.11 ACRE TRACT OF LAND, MORE OR LESS, OUT OF THE NORTHEAST CORNER OF LOTS 1 AND 2, RESUBDIVISION OF BLOCK 115 AND 116, LOTT TOWN & IMPROVEMENT COMPANY SUBDIVISION ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 2, PAGE 60 OF THE MAP RECORDS OF HIDALGO COUNTY, TEXAS, SAID 6.11 ACRE TRACT OF LAND BEING MORE PARTICULARLY LOCATED AND DESCRIBED AS FOLLOWS:

COMMENCING AT A 1/2" IRON ROD WITH A RED ID CAP FOUND AT THE NORTHEAST CORNER OF LOT 4, RESUBDIVISION OF BLOCKS 115 AND 116;

THENCE, CONTINGENT WITH THE EAST BOUNDARY LINE OF SAID RESUBDIVISION, NORTH 00 DEG., 07 MIN., EAST, A DISTANCE OF 292.70 FEET TO A POINT;

THENCE, NORTH 89 DEG. 58 MIN., WEST, A DISTANCE OF 10.96 FEET TO A 1/2" IRON ROD WITH A YELLOW ID CAP STAMPED "VASQUEZ RPLS 5739" SET FOR THE SOUTHEAST CORNER AND POINT OF BEGINNING OF THIS TRACT;

THENCE, NORTH 89 DEG. 58 MIN. WEST, A DISTANCE OF 468.00 FEET TO A 1/2" IRON ROD WITH A YELLOW ID CAP STAMPED "VASQUEZ RPLS 5739" SET FOR THE SOUTHWEST CORNER OF THIS TRACT;

THENCE, NORTH 00 DEG. 22 MIN. 45 SEC., EAST, A DISTANCE OF 569.00 FEET TO A 1/2" IRON ROD WITH A YELLOW ID CAP STAMPED "VASQUEZ RPLS 5739" SET ON THE SOUTH RIGHT OF WAY LINE OF STITES AVE. (100 FT. R.O.W), FOR THE NORTHWEST CORNER OF THIS TRACT;

THENCE, CONTINGENT WITH THE SOUTH RIGHT OF WAY LINE OF SAID STITES AVE., SOUTH 89 DEG., 58 MIN., EAST, A DISTANCE OF 468.00 FEET TO A 1/2" IRON ROD WITH A YELLOW ID CAP STAMPED "VASQUEZ RPLS 5739" SET ON THE WEST RIGHT OF WAY LINE OF FM 493, (RIGHT OF WAY VARIES) FOR THE NORTHEAST CORNER OF THIS TRACT;

10/19/2005 15:21 541987

JOSE LUIS VASQUEZ

PAGE 03

THENCE, CONTINGENT WITH THE WEST RIGHT OF WAY OF FM 493 SOUTH 00 DEG. 22 MIN. 45 SEC., WEST, A DISTANCE OF 569.00 FEET TO THE POINT OF BEGINNING OF THIS TRACT; CONTAINING 6.11 ACRES OF LAND, MORE OR LESS.

J. L. Vasquez
J.L. Vasquez
Registered Professional Land
Surveyor No. 5739



Filed for Record in:
Hidalgo County
by Eddy Trevino
County Clerk

On: Oct 28, 2005 at 03:21P

As a Recording

Document Number: 1537899
Total Fees: 32.00

Receipt Number - 716641

By Inelda Leal, Deputy

RECORDER'S MEMORANDUM
AT THE TIME OF RECORDATION, THIS
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Fieser Development, Inc.

5024 E. 5th Street
Katy, Texas 77493
281-347-8189
281-347-8192 fax

September 24, 2007

Mr. Ben Shepherd
TDHCA
221 East 11th Street
Austin, Texas 78711

Subject: Pecan Village fka University Place Apartments
TDHCA # 05084
Application Amendment Request

Dear Mr. Shepherd,

In connection with the Mid-Development Report we received from Mr. Gavin Reid of TDHCA dated April 17, 2007, we wish to submit a request for a possible amendment to the application for a threshold amenity.

Background

Pecan Village Apartments fka University Place Apartments is a three story 82 unit acquisition/rehab property serving senior citizens in the Wharton area. The property was constructed in 1979. The property is subsidized with a project based HAP contract through 2010. As of this date the property is 100% leased. The financing structure is an FHA 221(d) (4) Mortgage, a Home Loan from the Agency and Tax Credit Equity.

The Mid- Development Inspection Report in part noted the following items were not seen in the units at the time of the inspection:

Dishwashers and Disposals

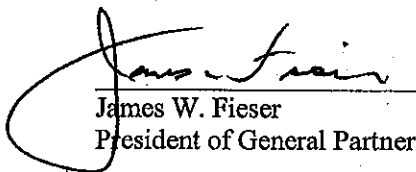
Other items listed have been addressed upon final rehab completion or were completed before the July 17th, 2007 deadline.

An inspection was conducted by the Architect and a HUD approved Inspection Company for purposes of defining the Scope of Work during the application stage and prior to acquisition of the property. The Scope of Work from both the architect and HUD did not contain Dishwashers or Disposals. In addition a Physical Needs Analysis was also completed and the final report did not contain installation of Dishwashers and Disposals. The Plans and Scope of Work were reviewed by HUD and the Syndicator; we also submitted final Plans and Scope of Work to TDHCA for approval as a condition for the Home Loan. All interested parties, including TDHCA, signed off on the final Scope of Work which did not include Dishwashers or Disposals. When we selected amenities for the property in the application we did not include Dishwasher or Garbage Disposals because of the very small kitchen areas. In effect the rehab costs did not

account for installation of the Dishwashers and Disposals even though we certified them as part of the application. *What we did was simply miss the Dishwasher and Disposal threshold items required and inadvertently left them out of the Scope of Work.*

Dishwasher Amendment Request We are in the process of installing the disposals and will install dishwashers if necessary. The big issue regarding installation of Dishwashers is the very small area of the kitchens. The total unit square footage is 528 feet with the kitchen area being roughly 30 (5'x 6') square feet. We have determined that we can in fact put a dishwasher into the kitchen however not without removing a 30" section of cabinet storage for the resident. In light of this, we request the Agency to allow us to substitute covered parking for the Dishwashers. We will cover all the existing parking spaces for the complex.

Thank you for your consideration on this matter.


James W. Fieser
President of General Partner

LOCKE LORD BISSELL & LIDDELL LLP

ATTORNEYS & COUNSELORS

100 Congress
Suite 300
Austin, TX 78701-4042

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Fax: (512) 305-4800
www.lockelord.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

November 5, 2007

VIA HAND DELIVERY

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

Received

NOV - 6 2007

Re: **Amendment Request**
Olive Grove Manor (Magnolia Estates) in Houston, Texas
TDHCA No. ~~05196~~ 05198

Dear Ben:

We represent Olive Grove, Ltd. (the "**Partnership**"), which is constructing the Olive Grove Manor seniors housing complex in Houston, Texas (the "**Property**"). The Partnership received low-income housing tax credits ("**Tax Credits**") for the acquisition and rehabilitation of the Property in the 2005 application round.

Amendment Request

The purpose of this letter is to request approval of several changes to the site plan for the Property. This amendment is being requested in advance, prior to completion of construction of the Property. The total number of residential units, total square footage of the residential units, number of bedrooms and bathrooms, and income set-asides all remain the same.

Detailed Description

As development of the Property proceeded, it became apparent that several changes to the overall site plan would be beneficial to the Property and its residents. Specifically:

- The clubhouse will be 66 square feet larger than represented in the application. This should not constitute a material change. In fact, it is an improvement.
- A beauty salon is being added to the clubhouse. This facility will include two chairs and related equipment. The Partnership will not lease the facility to an operator and will not receive any revenues from the operation of the beauty salon. Rather, the operator will lease the facility for free and will charge the customers (most of whom are expected to be residents) standard rates for the beauty services. Because of the nature of the use, this should not constitute a commercial facility and should not impact the Property's eligible

basis for purposes of calculating Tax Credits. Moreover, it is a significant improvement for resident services and the marketability of the Property.

- The fence at the front of the Property will be changed from a wrought iron design to an 8 foot cedar wood fence with brick columns at the entrance and brick columns every 40 feet. This should not be a material change, since the design material of the fencing was not specified in the application.
- All buildings that originally faced Normandy Street, a main street, were rotated to face the interior street, instead. This gives the residents a quieter environment without changing any square footage or other features of the construction and improves the Property overall.
- The swimming pool is slightly larger than originally anticipated and heated. This should not be a material change. In fact, it is an improvement for the residents.

In addition to the improvements recited above, the Partnership respectfully requests TDHCA approval for the following revision:

- The original site plan called for 160 garage parking spaces and 80 uncovered parking spaces. The Partnership will build the 160 garage parking spaces but asks to reduce the number of uncovered parking spaces to 21. This change is acceptable within local building code and will allow the Partnership to have additional green space on the Property for the benefit of the residents.

All of the changes recited in this amendment request can be accommodated in the existing construction budget, Therefore, the Partnership believes no changes to the various exhibits in the Tax Credit application are necessary.

Adherence to Obligations

Section 49.9(c) of the 2007 QAP, which addresses changes in applications, should not apply to this request because the change is being requested in advance. Moreover, any change in amenities is adequately offset by appropriate substitutions.

Conclusion

Please provide approval for the changes in the Olive Grove Manor site plan; 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. If this amendment requires Board approval, please include this amendment request for consideration at the next available TDHCA Board meeting. If you need additional information to process this request, please feel free to contact me or the Property owner. Thank you.

Sincerely,



Cynthia L. Bast

Page 3

Enclosures

cc: Harris County Housing Authority
Artisan/American Corp.

COATS | ROSE

TAMBA A. DULA
OF COUNSEL

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

November 30, 2007

By E-Mail and By Federal Express

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

RE: Oxford Place Apartments, Houston, Texas (TDHCA # 04167-CMTS-4064);
Project Owner – Oxford Community, L.P.

Dear Ben:

I am providing you with this letter in accordance with our several telephone conversations concerning the following requested amendments to the 2004 Tax Credit Application filed on behalf of Oxford Place Apartments (the "Project"). Copies of the architectural plans provided in the application and the as-built architectural plans are enclosed for your convenience.

1. **Site Plan Adjustments.** The number of required parking spaces was reduced by the City of Houston, which was previously administratively approved by the Department, and that reduction resulted in some minor site plan changes. The City of Houston then took property for the widening of both McGallion Street and Berry Road, resulting in a compression of the site plan. In the middle of the site there were originally two internal squares consisting of buildings on four sides with green space and picnic tables in the middle. Because of the narrowing of the site, the green space would have been eliminated, had the original plan been maintained. In order to save mature trees which were an important element in the project design, the plan was adjusted to have buildings on only three sides of the "square", permitting green space to be retained. Finally, the compression of the site meant that it was difficult to use all ten unique building floor plans, because they could not fit on the site and still maintain the distance between buildings required by City Code. As a result, the number of building floor plans was reduced to seven, and the largest (20 units) and smallest (4 units) building plans were eliminated.

2. **Increased Net Rentable Area.** The initial plans for the Project included ten (10) unit floor plans. The architect made some adjustments to the sizes of these floor plans in order to

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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

maximize efficiency by having standardized common dimensions and help stacked units line up more effectively. Additionally, the architect increased the area of some unit floor plans in order to provide articulation on the façade of the buildings, giving an interesting sense of depth to the façade. Due to these adjustments, the architect's "as-built" calculation of Net Rentable Area ("NRA") using the same parameters that were used in the application, shows an increase of 9,970 square feet over the NRA shown in the application. This increase is approximately a 3.7% increase in NRA.

3. **Correction of Error and Consolidation of Common Area.** The architect has certified to a change in the common area from 14,374 sf, as shown in the application, to 12,409 sf as built. This is a reduction of 13.7%. The primary reason for this change is that in calculating the common area in the application, the architect transposed two numbers and inflated the common area by 900 square feet. In looking at Exhibit 3, Part B in the application (copy enclosed), a total of 14,374 sf of common area is shown. The architect knew that the 6,000 GSF Amenity Center had 5,676 sf of NRA. Working back from that number, he intended to deduct 484 sf of maintenance shops, 482 sf of laundries, 547 sf of other heated and cooled areas, 2,088 sf of clubhouse, leaving 2,075 sf of supportive service facilities. He made an error, however, transposing the first two numbers in the NRA number, and therefore deducting from the erroneous starting point of 6,576 sf NRA. As a result, the square footage shown under supportive service facilities was shown as 2,975 sf when it should have been 2,075 sf. Had the correct number of 2,074 sf been shown for the supportive services facilities, then the Total Common Area would have been 13,474 sf. Based upon the corrected Total Common Area of 13,474 sf for the application, the as-built common area of 12,409 sf represents a decrease of 1065 sf or 7.9%. Nearly all of this decrease (1,058 sf) resulted from the consolidation of two laundry buildings totaling 1576 sf, as shown in the application, into a single centrally-located laundry building of 518 sf. The consolidation of the laundry facilities was done because the decision had been made to put washer and dryer connections in each unit, although points were not requested for such connections. To the extent that the consolidation of the laundry facilities resulted in decreased common area, we request that you accept the laundry connections in each unit as an acceptable alternative.

4. **Three Additional Tax Credit Units.** The Project consists of 250 units, 80% of which are income restricted (200 units). The Project has 230 units designated as public housing, which includes all of the tax credit units. The tax credit allocation was based upon an 80% Applicable Fraction. At Cost Certification it became apparent that the restricted NRA was only 78% of the total NRA. Because the Project needs all of the tax credits, the Project Owner is proposing to voluntarily convert 3 market rate/public housing units to 60% AMI/public housing units. This change would mean that the NRA under income restrictions would be 80.16% of the total NRA and the Project would qualify for all of the allocated tax credits based upon both the percentage of units restricted and the percentage of NRA restricted.

The unit mixture for the project will not be disturbed, except for the conversion of three (3) market rate units to 60% AMI restricted units. The original unit mixture from the application is as follows:

	30%	40%	50%	60%	Market	Total
1-Bedroom	23	1	20	0	8	52
2-Bedroom	55	6	31	0	20	112
3-Bedroom	64	0	0	0	22	86
Total	142	7	51	0	50	250

The proposed unit mixture is as follows (changes are boldfaced/shaded):

	30%	40%	50%	60%	Market	Total
1-Bedroom	23	1	20	1	7	52
2-Bedroom	55	6	31	2	18	112
3-Bedroom	64	0	0	0	22	86
Total	142	7	51	3	47	250

The original underwriting performed by the Real Estate Analysis Department reflected artificially low rents expected for the 230 units that are public housing. Converting three (3) units from "market rate public housing" to "60% AMI public housing" therefore does not change the anticipated rental income for the units. Accordingly, we believe that the conversion of 3 market rate/public housing units to 60% AMI/public housing units will have little or no impact on the underwriting of the Project.

5. **Proposed Substitution of Amenities.** The Project Owner has been advised by the Cost Certification inspector that self-cleaning or continuous cleaning ovens that were promised (1 point) may have been only installed in the accessible units. If this is the case, then we request that one or more of the following amenities that were provided without taking points be substituted for the self-cleaning or continuous cleaning ovens: (i) Laundry Connections in each unit (as discussed in Paragraph 3 above – 1 point); (ii) Furnished and Staffed Children's Activity Center (3 points); (iii) R-15 Walls / R-30 Ceilings (3 points); or (iv) Energy Star dishwashers (2 points if all appliances are Energy Star rated).

6. **Waiver Requested.** Since the amendments requested were necessitated by City of Houston requirements, or will actually benefit the Project, we request that the Board waive any Adherence to Obligations penalty, if such penalty is applicable. We respectfully point out that this project has been completed for more than a year, and the discrepancies requiring an amendment to the application were only noted at Cost Certification. The Project Owner has previously brought two amendments to the Department, one that required Board approval and one that was approved administratively, so that it is apparent that the delay in requesting the Board's consent to these requested changes was not due to any reckless disregard of TDHCA requirements by the Project Owner. Accordingly, we request that the Board waive any penalty that might otherwise be assessed.

7. **Conclusion.** Site changes were dictated by City of Houston condemnation action and approved changes in the number of parking spaces, and every care was taken to maximize the green space available to the tenants. The NRA actually increased by 9,970 sf, directly benefiting the tenants. The common area did decrease, but nearly half of the decrease was the

result of correcting an error in the application and the remainder came from a prudent consolidation of laundry facilities into a single centrally-located building in view of the fact that each unit has laundry connections. We ask that the provision of the laundry connections, for which points were not requested, be considered as offsetting the reduction in common area. In order to utilize all of the tax credits that were allocated to the Project, the Project Owner voluntarily offers to increase the number of tax credit units from 200 to 203, with the additional 3 units being converted from market rate units to 60% AMI units. Finally, if the requirement that self-cleaning or continuous cleaning ovens has not been met, then we request that Selection Criteria amenities that were provided without any points being claimed be substituted for the ovens. If any Adherence to Obligations penalty is applicable because of the delay in requesting this amendment, a waiver is requested.

This Project has an allocation of 2007 Supplemental Tax Credits and therefore is required to get its 8609s issued by the end of 2007 or lose the Supplemental Tax Credits. Since Board approval of this amendment request is needed, it is essential that the matter be addressed by the Board at its December 20, 2007 meeting.

Enclosed please find a \$2,500.00 check payable to the TDHCA, for the amendment request fee. Thank you very much for your expeditious review of this request. If you need any additional information, please do not hesitate to call me.

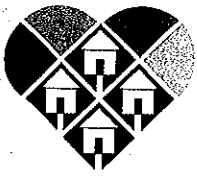
Very truly yours,



Tamea A. Dula

Enclosures

cc: Ernie Etuk
Horace Allison
Bobken Simonians



THE VILLAGES™

at Samaritan House

Received

04157

JUN 26 2007

VIA OVERNIGHT MAIL

June 25, 2007

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

Re: TDHCA Letter dated March 13, 2007 from Kimbal Thompson concerning SAMARITAN HOUSE (TDHCA No. 04157) - Clearance of Final Inspection Exceptions

Dear Mr. Sheppard:

This letter is submitted to you in response to the issues raised by the clearance letter as referenced above. In that regard, with respect to the unresolved items identified, please be advised as follows:

A. Single Room Occupancy (SRO) Deficiencies – The scope of the Samaritan House project consisted of constructing three new residential buildings and rehabilitating an existing SRO building. While we endeavored at the time to present details and explanation of the scope of work in the TDHCA application materials and plans submitted, apparently there remains confusion as to what was intended or was even possible with respect to the SRO units. An assumption has been made by your inspection team that each of the SRO rooms, which are only about 275 SF each, should have been completed to the same detail as the brand new units. This situation was never the intent nor was it remotely feasible or even desirable.

It is important to note that the interior of these units had been refurbished in the past utilizing HUD Moderate Rehab financing and inspections. All units were completed to strict HUD conforming SRO standards. SRO units may only be occupied by "homeless" individuals, who are almost all certainly at minimum levels of income (i.e. below 30%). We provide full meal service to these individuals, primarily because they cannot afford to purchase groceries and cook for themselves. As a result, there is minimal opportunity for in-room food preparation, at the Samaritan House, where many of our residents suffer from multiple afflictions in addition to HIV/AIDS. Even if full in-room meal preparation was appropriate, it would not be feasible since there is simply no space or plumbing capacity for kitchen appliances and fixtures. After all, by definition these are truly "rooms" and not suites in the traditional sense. We

sincerely regret not having placed more emphasis on this distinction during the application process.

To address the individual SRO unit “deficiencies”, consider that:

#1 Washer & Dryer Connections – There is no plumbing or space available within the SRO to accommodate such appliances – even if a resident could afford them. Full washer and dryer facilities, however, *are present* within the SRO on the same floor and at only a very short distance from any SRO entry door.

#2 Dishwasher – A dishwasher *is present* as a part of the community dining services given to all SRO residents at no charge. There is no plumbing or space available within the SRO to accommodate such appliances – even if a resident could afford to prepare his own meals.

#3 Disposal – Full garbage disposal services *are present* as a part of the community dining services given to all SRO residents at no charge. There is no kitchen sink or space available for one within the SRO to accommodate such an appliance.

#4 Hood and Fan – Complete ventilation of all cooking smells and gases is provided as a part of the community dining services given to all SRO residents at no charge. There is no need for such appliances in the rooms without full cooking facilities, although the bathrooms are ventilated with exhaust fans and the rooms have central air conditioning.

#5 Range and Oven – Full range and oven requirements are provided as a part of the community dining services given to all SRO residents at no charge. In addition, each SRO unit is equipped with a microwave oven, which satisfies the SRO requirement for a range.

#6 Refrigerator w/icemaker – Each SRO unit is equipped with a refrigerator. In addition, all residents have free access to ice in the community dining room on a 24/7 basis.

#7 Bathroom laminated countertops – The limited configuration of the SRO bath floor plan does not allow for the placement of any material since countertops are minimal.

#8 Tile/Tub shower – The limited configuration and design of the SRO bath floor plan with single unit bath/shower units and plumbing issues do not allow for the placement of tile without a complete demolition and reconstruction of the entire bath area.

#9 SEER 12 A/C – The entire SRO facility is heated and cooled by a central HVAC system, which was upgraded during the renovations to produce output consistent with a 12 SEER rating. It is also noted that the landlord pays all utility costs, including providing a phone and local dialing services at no charge.

#10 Ceiling fans in living rooms and bedrooms – While not a part of the original rehab we are in the process of adding ceiling fans to each SRO room. Please note that there is no distinction between living and bedroom. (See photograph attached.)

#11 Nine Foot Ceiling– A review of the application materials indicates both “8” and “9” ft numbers annotated. This notation was to refer to the SRO units at *eight feet* and the new units at nine feet. Please refer to the attached copy of the application.

#12 Storage Room or closet 9 sf or larger– Such capacity of storage is available on the same floor to any SRO resident who desires it at no charge. The confining nature of the SRO plan does not permit adding another closet space in addition to the closet that is already present.

In summary, with respect to the SRO, (1) all the units conform and exceed the strict HUD requirements for Single Room Occupancy units, (2) all the units meet and exceed the TDHCA minimum unit requirements, and (3) while these units do not necessarily contain every item within the confines of each SRO room which your inspectors cited as “deficiencies”, virtually all of them are available in very close proximity. It was never the intent to fit out these rooms in the same fashion as the newly constructed non-SRO suites.

B. # 13 Gazebo Not Provided: A “gazebo” as such is a covered seating area, generally constructed out of wood. It is designed to allow residents and guests to relax out of doors while offering some protection from the sun but little other insulation from the elements. In the case of the Samaritan House, a decision was made during construction to create a covered deck area to serve the same purpose. The deck area that was created is some 15X20 ft, is covered, and has generous seating space. It performs the same purpose as a gazebo but does so on a much upgraded basis and is much larger than a gazebo would have been. We are requesting herein that the *covered deck amenity be substituted for the gazebo*. (See the attached photograph.)

C. # 14 Furnished Fitness Center Not Provided: As we pointed out in previous correspondence to your inspection group, the Samaritan House undertaking was extremely complex and mandated an unusually large amount of value engineering to meet budget limitations. Since the Samaritan House already has a complimentary relationship with local health club with extensive facilities, it was decided to install a playground instead. With over eighty children currently as resident ⁱⁿ the Samaritan House, we consider this choice as having been very prudent. The playground equipment

that has been installed is specifically designed to promote the health and exercise of children. At a cost of about \$35,000, we have made what turned out to be a much larger investment than would have been required in an exercise room. We are requesting herein that the *Playground amenity be substituted for exercise room (fitness center)*. (See the attached photograph.)

D. #15 41 Garage Parking Spaces Not Provided: The situation with respect to this amenity came about in part due to confusion as to the correct box to check on the TDHCA application as it relates to the physical configuration of the property to be constructed. The parking spaces in question are located on the ground level under a "podium" structure of the new 929 Hemphill building, which offers parking protection on three sides. It is very much like a commercial parking "garage" and is much more extensive than a "carport" with a roof only. We, therefore, could have chosen to check either the "carport" box or the "garage" box. We continue to feel that "garage" is more appropriate than "carport".

they are building the other 15 covered pkg spaces - 20 they will provide this amenity & provide photos

Concerning, providing the "41" spaces vs. the 29 which actually exist, there is no other place on the site that "garages" were ever planned to have been constructed. All of them were to be located under the podium structure. A review of the application materials, including the first set of preliminary site drawings, submitted indicates that 41 "covered" spaces will be provided. When final plans were developed, the actual configuration of the podium structure was designed such that it only covers 29 spaces, even though 44 actually exist in that location. This situation could not have been reasonably anticipated at the time of the application. In all, the podium building has 69 total spaces, which is two more than originally indicated, even though only 29 are covered and 40 are open, as compared to the 41 and 26 ratio that had been preliminarily indicated. (See attached proposed and as built site diagrams.)

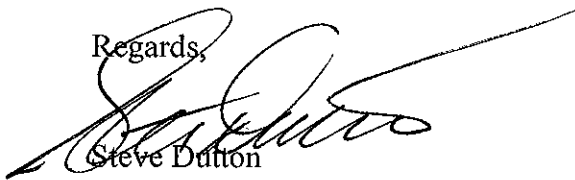
In actual practice, the parking situation at the property, which has been open for over a year, has proved to be very adequate and workable without problems. With more spaces around this building than planned, the technical absence of 12 fewer covered spaces has made no difference to the quality of life or viability of the Samaritan House to fulfill its mission.

In any event in order to overcome this situation, we are requesting that TDHCA (1) acknowledge that Samaritan House has adequately addressed the SRO items and clear those deficiencies, (2) permit an application change for the substitution the covered deck amenity for the gazebo, (3) permit an application change for the substitution the playground amenity for the exercise room (fitness center), and (4) acknowledge that the parking situation at Samaritan House, subject to application box classification interpretations and design changes that could not have been reasonably foreseen, is consistent with the intent at application and is proving more than adequate in actual practice. That deficiency should also be cleared. A check in the amount of \$2,500.00

made payable to TDHCA to cover the fee associated with this request is enclosed herewith.

We are hopeful that this request may be accomplished through administrative staff action. If, however, Board approval is deemed necessary, I would be more than happy to attend such Board meeting along with members of the Samaritan House community. We welcome the opportunity to address any questions that might arise as well as to have the chance to express our heartfelt gratitude to TDHCA for the critical part it played in enabling us to realize our dream in creating this superb facility. Your early attention to these matters is much appreciated.

Regards,



Steve Dutton

Executive Director

CC: Tom Scott

EXHIBIT 3. ACTIVITY OVERVIEW

PART A. SPECIFICATIONS AND AMENITIES *Proposed and Existing*

SECTION 1. CONSTRUCTION SPECIFICATIONS (Mark all applicable categories for both proposed and existing developments.)

Foundation: Slab on Grade Grade Beams Post-Tensioned Slab Pier & Beam

Wall Structure: Wood Frame Steel Stud Frame Concrete Block Structurally Integrated Panel

Exterior Material:	Coverage	Coverage	Coverage	Coverage
<input checked="" type="checkbox"/> Brick Veneer	84%	<input checked="" type="checkbox"/> HardiBoard or Plank	16%	<input type="checkbox"/> Wood Siding
<input type="checkbox"/> Stone Veneer	%	<input type="checkbox"/> Plywood/Composite	%	<input type="checkbox"/> Vinyl Siding
				<input type="checkbox"/> Stucco
				<input type="checkbox"/> Wd. Trim

Roof: Comp. Shingle Laminated Shingle Wood Shingle Galvanized Metal
 Built-up Rock Composition Roll Concrete Tile Mission Tile

Interior Walls: Drywall Plaster Walls Other: Ceiling Height 8 ft. 9 in.

HVAC: Heat Pump Central Heat & A/C Evaporative Cooling

Other Components: Elevator(s): # of stops: 3 # in development: 3 Manufactured Housing

SECTION 2. CONSTRUCTION STANDARDS

Development's jurisdiction has adopted a local building code. If yes, identify: International Business Code

List all local building codes to which Development will adhere: International Business Code

Has Applicant established written property rehabilitation standards and construction specifications over and above Texas Minimum Construction Standards? Yes No If "Yes", attach standards and specifications. Is this standard based on a state or national code? Yes No If "Yes," which code?

This development will meet or exceed all standards selected below. (Mark all items that apply)

- International Residential Code
- Uniform Building Code
- International Building Code
- Colonia Housing Standards
- Board for Coordination of Model Building Codes
- National Electrical Code
- Texas Minimum Construction Standards
- Model Energy Code¹⁶

SECTION 3. ACCESSIBILITY STANDARDS¹⁷ (Mark all standards that will be incorporated into the development's construction)

(1988) Amendments to the Fair Housing Act of 1968 (FHAA) - Fair Housing Guidelines as specified in the Fair Housing Act Design Manual

Section 504 of the Rehabilitation Act (1973) - Uniform Federal Accessibility Standards (UFAS)

Architectural Barriers Act, Article 9102, Texas Civil Statutes - Texas Accessibility Standards (TAS)

TX Government Code - Sec.2306.514 - TDHCA Single Family Accessibility Standards (TDHCA/SFAS)

ORIGINAL APPLICATION

¹⁶ Model Energy Code is published by the Council of American Building Officials

¹⁷ Note: Some, if not all, of these codes may be required by program, state, and federal law. They are noted on this form to ensure that the applicant incorporates them into the development design if applicable.



SAMARITAN HOUSE™

Where there's a home, there's hope.

04157

Tarrant County
Samaritan Housing, Inc.

December 10, 2007

Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
221 East 11th St., PO Box 13941
Austin, Texas 78711-3941

Re: Samaritan House (TDHCA No. 04157)

Dear Mr. Gerber:

I am very concerned that the posted amendment pending for TDHCA's board review does not accurately describe the reality at Samaritan House. There should be no misunderstanding of our original 2004 application submission and what was actually developed. The original submission package clearly highlights that the project encompassed the renovation of an existing SRO facility AND the construction of 66 new multifamily units.

The problem seems to be that while the brand new sixty-six units are fully congruent with all threshold and unit amenities as listed on the application forms, the staff feels that the SRO units should contain all the same items. Please understand it would be impossible to modify the SRO units to the same standard as the new units, because of fire code restrictions and other physical constraints of the existing facility. Furthermore, **Samaritan House is a Special Care Facility and Residential Hospice**, licensed by the Texas Department of State Health Services, and no such physical space requirement was ever intended for these SRO units.

The 2004 QAP recites eight items as "threshold" for tax credit units. Our SRO units contain all of these, except dishwasher/disposals. Full meal preparation in the SRO rooms is not permitted for hygiene, health, and fire code reasons. Our program at Samaritan House is intensely oriented toward our residents, especially those who live in the SRO units. We provide partially furnished rooms with three meals per day and on-site laundry services all within the same building. We have lounges, a sanctuary, and medical and counseling staff which are on duty on a 24/7 basis. If there was a problem with the TDHCA application process, it was in the forms provided, which were not sufficient to adequately articulate the scope of the proposed development. Within a few steps of any SRO room, every quality amenity listed on the application and many, many more are readily available. Each listed amenity is present in the Development, although not necessarily actually within the restrictive SRO units.

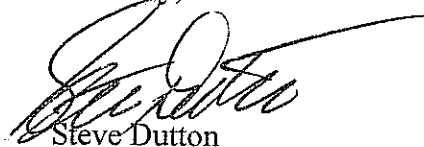
By any measure the new Samaritan House has been an overwhelming success. We immediately leased right up and now we are able not only to provide excellent shelter to our HIV patients, we also provide housing for their families to reunite with them in the new apartment units - ending their threatened homelessness.

We are at a loss to determine what we might have done differently, or even what the Department would like us to do now, beyond having completed an excellent project exactly the way it had been represented to you four years ago.

I implore you to immediately finish processing the cost certification and issue the 8609's before the end of the year, so that the tax credits are not jeopardized.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Dutton", with a long horizontal flourish extending to the right.

Steve Dutton
Executive Director

CC: Raquel Morales
Ben Sheppard
Robbie Meyer

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion, and Possible Action for Housing Tax Credits Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Casa Alton – 07302

The applicant for Casa Alton is appealing the termination of the Application for 2007 Housing Tax Credits. The Application was terminated due to failure by the applicant to meet a threshold requirement under §49.9(h)(14) of the 2007 Qualified Allocation Plan and Rules (“QAP”), Third Party Reports.

The Application was terminated because the Phase I Environmental Site Assessment (“ESA”) required pursuant to §49.9(h)(14)(A) of the QAP that was submitted by the required April 2, 2007 deadline was not performed for the entire development site. During the Underwriting Evaluation, the Applicant notified Department staff of a change to the location of the proposed development site from what was originally proposed at Application submission. As a result of this change, staff performed a review of the threshold criteria affected by the change and determined that the Application did not meet the minimum threshold requirements under the 2007 QAP.

Pursuant to §49.9(h)(14) of the 2007 QAP, all Applications must include a Phase I ESA report, which “must be submitted on or before 5:00 p.m. CST, April 2, 2007.” On October 30, 2007, the Applicant notified Department staff that the development site was being shifted from the location originally identified in the Application. Both the originally proposed development site, and the revised development site were under proper continuous control throughout the period required under §49.9(h)(7)(A) of the 2007 QAP; however, the Phase I ESA submitted by April 2, 2007 did not include the revised development site.

A Deficiency Notice was issued on November 5, 2007 requesting evidence that a Phase I ESA was submitted by April 2, 2007 for the development site, as revised on October 30, 2007. On November 13, 2007, the Applicant provided a response indicating that the Phase I ESA that was submitted by April 2, 2007 only included the originally proposed 9.5 acre development site, but did not include any other portion of the revised development site.

The applicant is appealing the termination of the Application based on several assertions: the change in the development site was made in order to address Department concerns related to the development site's location in the flood plain; the proposal for the Phase I ESA from the report preparer was for the entire 20 acre tract of land that included both the original and revised development site; the Phase I ESA that was submitted to the Department by April 2, 2007 included four of the seven acres contained in the revised development site; the three acres of the revised development site that are not contained in the Phase I ESA are contiguous to the land that the Phase I ESA was performed on and has historically been under the same ownership; it is unlikely that new conditions would be found for the three acres not included in the Phase I ESA that were not originally addressed in the report; a new Phase I ESA had been prepared for the entire 20 acre tract that includes the original and revised development sites as of the date of the appeal; the results of the new Phase I ESA did not bring up any issues, rather the timing of the report is the only issue; the Application that would be awarded if Casa Alton is not awarded is for a smaller amount of Housing Tax Credits and would result in Region 11 being underserved for the third year in a row; the Application whose termination allowed Casa Alton to be considered for an award originally was also proposed to be located in Alton; therefore an award to Casa Alton would allow housing to be built in Alton, as originally recommended by Department staff at the July 31, 2007 Board meeting; the Underwriting Report for the development sites the date of the Phase I ESA as the only reason the application is not recommended for an award; the Applicant is prepared to meet all requirements of the Underwriting Report; and the Applicant is prepared to meet all requirements of Carryover by December 31, 2007.

The decision to revise a development site is the choice of an Applicant and the Applicant is responsible for compliance with the requirements of the QAP. Although the initial proposal for the Phase I ESA was for the entire 20 acre tract, the final report submitted in order to meet the requirements of the QAP did not include the revised development site. The Department relies on the investigations performed by the preparer of the Phase I ESA and does not use the report to make assumptions about any land not evaluated in the report. The Department did receive a Phase I ESA report for the entire 20 acre tract that includes the original and revised development site on November 29, 2007; however, this report does not meet the threshold requirements of the 2007 QAP because it was submitted after the April 2, 2007 deadline required by the QAP. The possible reallocation of Housing Tax Credits in Region 11 is not relevant to the fact that the Applicant for Casa Alton did not meet the threshold requirements in the QAP related to the Phase I ESA. Similarly, an Application cannot be recommended for an award if it has not met all threshold requirements; therefore, the fact that the timing of the Phase I ESA is the reason the Application is not recommended for an award does not provide a basis for the appeal, but rather demonstrates the consistent application of Department policy between Department Divisions. Finally, the Applicant's ability to meet conditions of the Underwriting Report and Carryover are also not relevant to the fact that the Applicant for Casa Alton did not meet the threshold requirements in the QAP related to the Phase I ESA.

§49.9(h)(14)(G)(ii) of the QAP explicitly states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that

the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007... *Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration. (emphasis added)*

A Phase I ESA containing the development site, as revised on October 30, 2007 was not submitted by April 2, 2007. Rather, a Phase I ESA for the development site was submitted on November 29, 2007, almost eight months after the deadline required by the QAP. Therefore, because a Phase I ESA Report containing the proposed development site, as revised October 30, 2007, was not submitted by April 2, 2007, as required by §49.9(h)(14)(G)(ii), the Application was terminated.

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



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

Main Office: 634 S. Spring St., Ste. 400, Los Angeles, CA 90014 – Tel. (213)362-0260 – Fax (213)362-0265

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

December 11, 2007

Board of Directors
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin TX 78711-3941

Re: Appeal of Termination of Housing Tax Credit Application for Casa Alton, TDHCA #07302

Board of Directors:

Please accept our appeal to the Board of Directors in response to TDHCA staff's decision to terminate the Application for Housing Tax Credits for the above-referenced project. This Application has been terminated pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plans and Rules ("QAP") which requires an Environmental Site Assessment ("ESA") for the project site to be submitted by April 2, 2007.

A Phase I ESA for the development of a 9.5 acre portion of a 20 acre site – "Casa Alton" TDHCA #07302 - was submitted by the April 2, 2007 deadline referenced in the QAP. A situation occurred which caused us to reconfigure the Casa Alton site plan (more below). Casa Alton remains within the 20 acres under site control, but only roughly half of the acreage in the more recently proposed 7 acre site was in the original Phase I ESA. We have had an updated Phase I ESA completed which revealed no new alarming information. The only reason staff cannot recommend an award of credits is due to a portion of the new site location being outside of the original Phase I ESA. A brief history of the application and where the project currently stands with regard to meeting carryover by December 31, 2007 follows.

History of Application – leading to proposed alteration of site plan, termination of application and appeal to the Board.

- Casa Alton, in the USDA set-aside in rural region 11, is a proposed 76 unit new construction project with 13% of units at 30% AMI, 13% of units at 40% AMI, 22% of units at 50% AMI, 47% of units at 60% AMI and 4% of units at market. The project proposes much deeper affordability than most of those in the region.
- An application for Casa Alton and all supporting third party reports were presented in a timely manner in the course of the normal application process.
- Casa Alton scored as the top application in the USDA set-aside in the region until the Affordable Housing Needs Score claimed in the application was challenged by a competing project in the USDA set-aside, Los Ebanos, also in Alton, TX. The challenge was upheld by staff and the Board and Los Ebanos was awarded an allocation of tax credits.
- Los Ebanos applied for USDA Section 538 funding and was denied due to the fact that it was in Flood Zone A (100 year flood plain) and it had a gas pipeline running through its site.
- Staff concluded that Los Ebanos, without this USDA funding, could not compete in the set-aside and rescinded credits.



National Farm Workers Service Center, Inc. Housing and Economic Development Fund


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Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

- Staff contacted us, developer/owner of Casa Alton, and said that though we were next in line for credits in the set-aside, that they were uncomfortable awarding credits to Casa Alton because part of our proposed 9.5 acre site was also in Flood Zone A. They were concerned that the USDA would deny us funding as well and thus they would eventually have to rescind our credits, which could possibly result in the State of Texas losing the credits.
- As we had only proposed using 9.5 acres of the 20 acres we had under contract, we proposed reconfiguring our site plan to shift the acreage around some and get all buildings and drives out of the flood zone. Staff encouraged us to make the alterations and get them revised application pages as soon as possible.
- About a week after the conversation referred to above with TDHCA staff occurred, we submitted a revised site plan on 7 acres and outside of the flood zone. There is an “overlap” of about ½ of the “new” acreage with the “old” acreage.
- On November 6, 2007 we received a request from staff for more information regarding our Phase I ESA as the one submitted with our application did not cover the “new” portion of the acreage proposed in the revised 7 acre site plan.
- We replied on November 13, 2007 that we had engaged a revised Phase I ESA to be done for the additional acreage. The entire 20 acres had been owned by the same parties and used for the same purposes so we did not anticipate (and did not ultimately receive) any new material information.
- On November 14, 2007 the TDHCA notified us that our application had been terminated because the Phase I ESA for the entire portion of the newly proposed 7 acres had not been received by April 2.
- On November 20, 2007 we submitted the updated Phase I ESA and appealed the termination of the application to the Executive Director.
- On December 5, 2007 the appeal was denied.

We are currently appealing the termination to the Board for the following reasons:

- The change to the site plan was made to address staff’s discomfort with awarding credits to a project they thought might not get USDA funding (and thus fall out of the set-aside) due to flood zone issues they had seen in the previous project awarded credits. We appreciated staff’s “problem solving” approach and the change was made with their encouragement.
- The results of the updated Phase I ESA itself were not problematic. This is strictly a timing issue.
- If Casa Alton’s application is terminated, a small portion (\$137,560) of Region 11’s rural credits will go to a much smaller rural project in the region but the vast majority of the \$705,994 of credits in question here and requested by Casa Alton will go out of the Rio Grande Valley. Region 11 will be significantly undersubscribed for the third year in a row.
- TDHCA staff has completed their underwriting of Casa Alton despite the application’s termination and the only reason they do not recommend an award is because of the Phase I ESA timing issue.
- Staff has presented a number of conditions upon an award of credit should the Board grant our appeal and we are prepared to meet these conditions should we be awarded credits. (Though we



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

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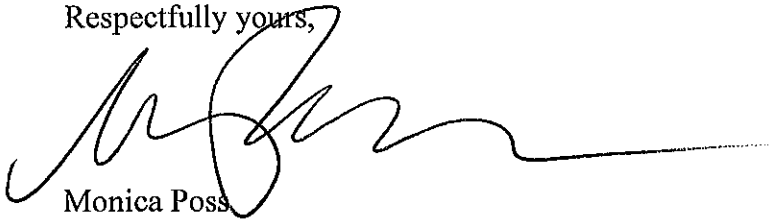
Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

will appeal the reduced credit award amount recommended under separate cover by the December 17 deadline.)

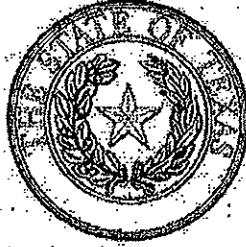
- We are prepared to meet all Carryover requirements by the December 31 deadline including purchase or lease of the land under contract.

We appreciate your attention to reviewing this matter and are happy to answer any questions or provide more information as necessary.

Respectfully yours,



Monica Poss



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 HOUSING TAX CREDIT APPEAL 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.

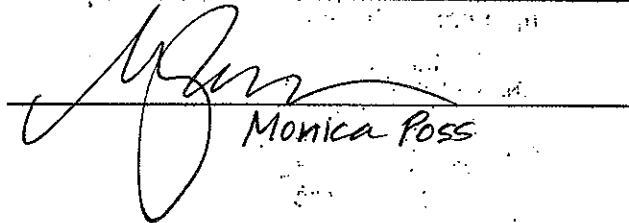
If my appeal is denied by the Executive Director, I: (check one)

Do wish to appeal to the Board of Directors and request that my application be added to the December 20, 2007 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, December 11, 2007 to be placed in the December 20, 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.

Development Name:	<i>Casa Alton</i>
Development Address:	<i>Trosper Road, Alton, TX</i>
Title:	<i>Senior Project Manager</i>
Date:	<i>12/07/07</i>

Signed:



Monica Ross

"NEW" SITE PLAN

RODRIGUEZ ASSOCIATES ARCHITECTS & PLANNERS, INC.
 2000 S. MOUNTAIN VIEW AVENUE, SUITE 100, DENVER, CO 80202
 TEL: 303.733.1100 FAX: 303.733.1101
 WWW.RA-ARCHITECTS.COM

PROJECT SUMMARY

APPROXIMATE CALCULATIONS
 SITE AREA: 10.0 ACRES
 APPROX. GROUND COVER: 15%
 APPROX. GROUND COVER: 15%
 APPROX. GROUND COVER: 15%
 APPROX. GROUND COVER: 15%

UNIT MIX

UNIT TYPE	#	%	SDS
1-BEDROOM/1 BATH	14	18.4	1.0
2-BEDROOM/2 BATH	36	47.4	1.5
3-BEDROOM/3 BATH	24	31.6	2.0
4-BEDROOM/4 BATH	4	5.2	2.5
TOTAL UNITS	78	100%	

BUILDING MIX

BUILDING TYPE	#
1 - 4-BEDROOM - ALL TOWNHOMES	1
2 - 2-BEDROOM - ALL TOWNHOMES	1
3 - 3-BEDROOM - ALL TOWNHOMES	1
4 - 4-BEDROOM - ALL TOWNHOMES	1
TOTAL BUILDINGS	4

PARKING PROVIDED
 STANDARD PARKING: 100
 VISITOR PARKING: 10
 TOTAL NO. OF PARKING: 110

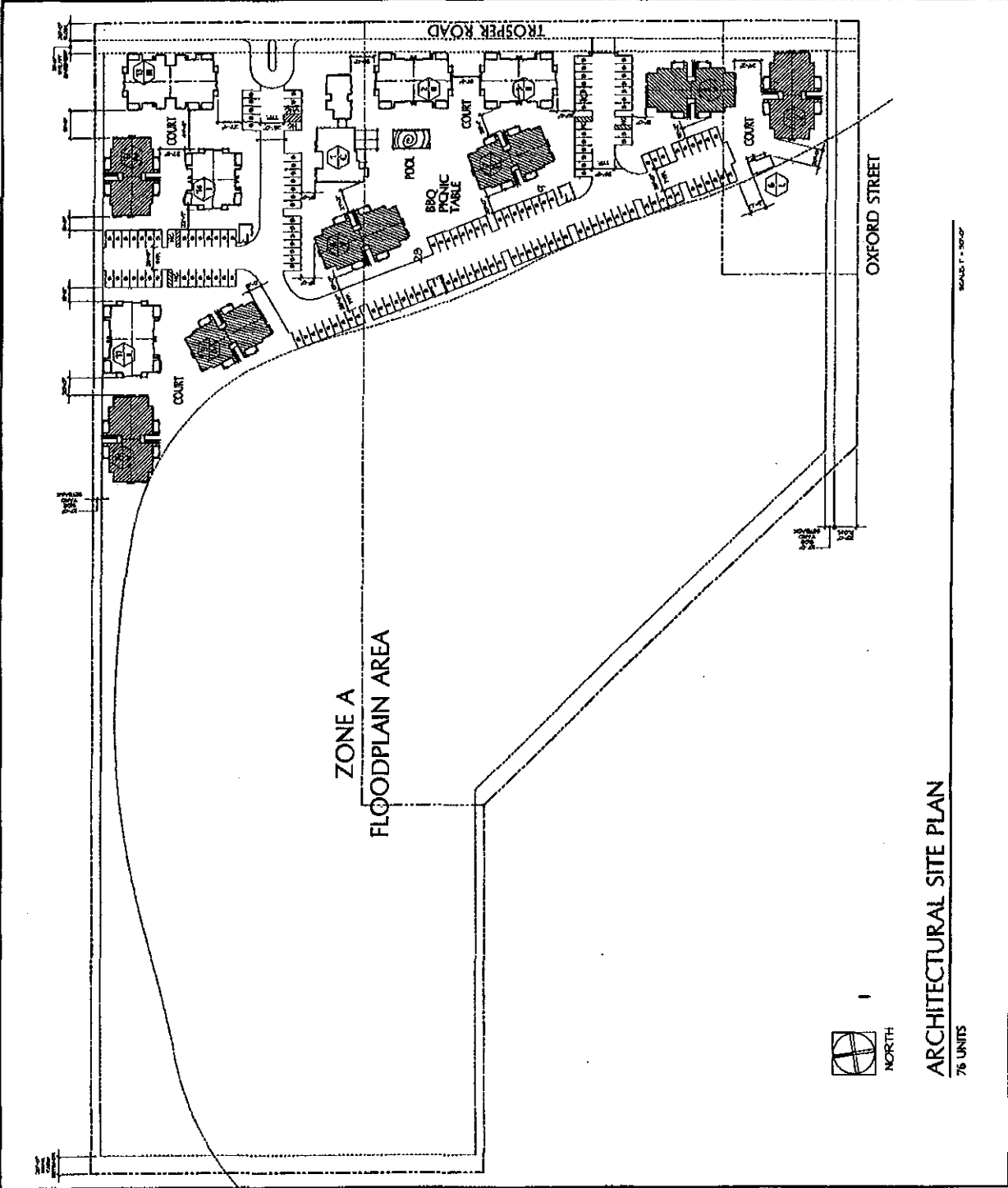
SHEET LEGEND


- 1. INCLUDED BUILDING MIX
- 2. INCLUDED BUILDING MIX
- 3. INCLUDED BUILDING MIX
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- 18. INCLUDED BUILDING MIX
- 19. INCLUDED BUILDING MIX
- 20. INCLUDED BUILDING MIX

ALTON APARTMENTS
RUIFINO CONTRERAS
ARCHITECTS & PLANNERS, INC.
 2000 S. MOUNTAIN VIEW AVENUE, SUITE 100, DENVER, CO 80202
 TEL: 303.733.1100 FAX: 303.733.1101
 WWW.RA-ARCHITECTS.COM

ARCHITECTURAL SITE PLAN

DATE: 08/11/2007
 SHEET: AS.1
 PROJECT: ALTON APARTMENTS
 SCALE: 1" = 20'-0"





National Farm Workers Service Center, Inc. Housing and Economic Development Fund

Main Office: 634 S. Spring St., Ste. 400, Los Angeles, CA 90014 – Tel. (213)362-0260 – Fax (213)362-0265

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

October 29, 2007

Audrey Martin
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin TX 78701

Re: Casa Alton, TDHCA #07302

Dear Ms. Martin,

In our Low Income Housing Tax Credit Application for Casa Alton, we applied to be in the USDA set-aside under the assumption that we would be receiving financing from the USDA. We have recently discovered that the USDA could deny our funding because part of our site and some of our proposed buildings are located in a 100-year flood plain. In order to satisfy the USDA requirements, we have modified our site plan so that none of the buildings are located in Flood Zone A. Please note that although we have altered the shape and boundaries of the project site, we have had all of the land under site control since prior to the beginning of the 2007 application cycle.

This change in the site plan affects a few areas of our application. The changes include:

- Site reduced from 9.5 acres to 7.0 acres – the only portion of the 20.0 acres under site control that is outside of Flood Zone A.
- Volume 1, Tab 2, Part F, Activity Overview. The building configuration has changed since we have added some two-story buildings to keep the same number of units on a smaller site. The corrected page in the application is attached.
- Volume 1, Tab 3, Development Cost Schedule. Land cost was reduced by \$55,000 to reflect 7.0 instead of 9.5 acres. This reduced total development cost by \$55,000 but did not affect eligible basis. The corrected application pages are attached.
- Volume 1, Tab 4, Funding Request. \$55,000 reduction in land cost decreased deferred developer fee by that same amount. The corrected application page is attached.
- Volume 1, Tab 8, Relevant Development Information Form. Total site acreage, number of residential buildings, and number of units per acre have changed. The corrected application page is attached.
- Volume 2, Tab 4, Site Plan. The new site plan is attached.
- Volume 3, Tab 1, Part B, Specifications and Amenities. Development site acreage, units per acre, building configuration, and number of parking spaces has changed. Corrected application page attached
- Volume 3, Tab 1, Architectural Drawings. Site plan is attached. The remaining drawings will be submitted this week.
- Volume 3, Tab 1, Survey. The survey of the entire site is in the original application. This survey is being redrawn to reflect the new tracts and site plan and will be submitted this week.
- Volume 3, Tab 2, Site Information. The site is now entirely outside a designated 100 year flood plain. Also, the expiration date of the financing contingency period of the land contract has been extended. The corrected application page, a flood zone map indicating the location of the new project site, and the two amendments to the land contract extending the loan are attached.
- Volume 3, Tab 2, Evidence of Site Control. See above. The contract amendments reflecting the extensions are attached.

If you need any additional information, please feel free to contact me at 512-474-5003 or email jcoburn@nfwsc.org. Thank you,

Jean Coburn
Project Manager

Service through self-help since 1966



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

November 5, 2007

Monica Poss
National Farm Workers Service Center
908 East 5th Street, Ste 201
Austin, Texas 78702

Re: Application for 2007 9% Housing Tax Credits for Casa Alton (TDHCA #07302)

Ms. Poss:

As discussed today, Monday November 5, 2007, please provide any additional information to support the submission of a Phase I ESA for the proposed revised site by April 2, 2007 in accordance with the 2007 QAP §49.9(h)(14)(G)(ii), which states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

If such documentation cannot be provided as suggested by phone, the subject application may be terminated pursuant to the above stated guideline.

Please respond by 4:00pm on Tuesday November 13, 2007 to allow for timely completion of our review. If you have any questions you may contact me at 512.475.2691.

Sincerely,

Cameron Dorsey
Real Estate Analysis



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

29700 Woodford-Tehachapi Rd., Keene, CA 93531 Tel (661) 823-6201 – Fax (661) 823-6175

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702 –Tel. (512) 474-5003 – Fax (512) 474-5010

November 13, 2007

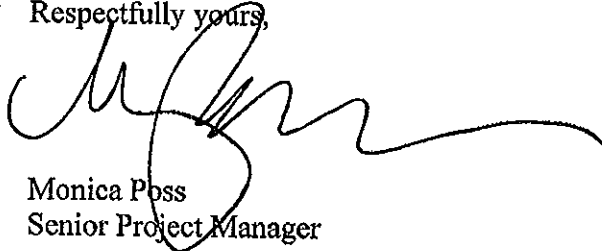
Cameron Dorsey
Real Estate Analysis
Texas Department of Housing and Community Affairs
221 East 11th St.
Austin, TX 78701

Re: Application for 2007 9% Housing Tax Credits for Casa Alton (TDHCA #07302)

Mr. Dorsey,

Despite the fact that Raba Kistner's original engagement letter for a Phase I ESA was for the entire 20 acres of land we have under contract in Alton, the ESA submitted to the TDHCA by April 2, 2007 only covered the 9.5 acre portion on which Casa Alton was to be located. We have engaged Raba Kistner to redo their Phase I ESA for the entire 20 acres.

Respectfully yours,



Monica Poss
Senior Project Manager

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**www.tdhca.state.tx.usRick Perry
GOVERNORMichael Ceeber
EXECUTIVE DIRECTOR**BOARD MEMBERS**
Elizabeth Anderson, *Chair*
Shadrlek Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

November 14, 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: Casa Alton, TDHCA #07302

Dear Ms. Coburn:

On March 1, 2007 you submitted an Application for Housing Tax Credits for the above-referenced development to the Texas Department of Housing and Community Affairs (the "Department"). During the Underwriting Evaluation, the Applicant notified Department staff of a change to the location of the proposed development site. As a result of this change, staff performed a review of the threshold criteria affected by the change and has determined that the Application has not met the minimum threshold requirements under the 2007 Qualified Allocation Plan and Rules ("QAP") for the following reason:

Pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plan and Rules ("QAP"), all Applications must include a Phase I Environmental Site Assessment (ESA) report, which "must be submitted on or before 5:00 p.m. CST, April 2, 2007." On October 30, 2007, the Applicant notified Department staff that the development site was being shifted from the location originally identified in the Application. Both the originally proposed development site, and the revised development site were under proper continuous control throughout the period required under §49.9(h)(7)(A) of the 2007 QAP; however, the Phase I ESA submitted by April 2, 2007 did not include the revised development site.

A Deficiency Notice was issued on November 5, 2007 requesting evidence that a Phase I ESA was submitted by April 2, 2007 for the proposed development, as revised on October 30, 2007. On November 13, 2007, the Applicant provided a response indicating that the Phase I ESA that was submitted by April 2, 2007 only included the originally proposed 9.5 acre development site, but did not include any other portion of the revised development site.

Ms. Coburn
November 14, 2007
Page 2 of 2

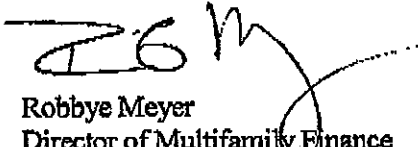
Therefore, because a Phase I ESA Report containing the proposed development site, as revised October 30, 2007, was not submitted by April 2, 2007, as required by §49.9(h)(14)(G)(ii), the Application has been terminated. No further action will be taken with regard to this Application.

Pursuant to §49.17(b) of the 2007 QAP, an appeal policy does exist for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal are detailed in §49.17(b) of the 2007 QAP. If you choose to appeal this determination, you must first submit an appeal to the Executive Director no later than 5:00 p.m., November 21, 2007. In the event that the Executive Director denies the appeal, you may appeal to the Department's Board at the December 20, 2007 Board meeting.

If you wish for an appeal to be presented to the Department's Board at the December 20, 2007 meeting, you will need to file your appeal documentation to the Board by 5:00 p.m., Monday, December 10, 2007. Otherwise, the appeal documentation to the Executive Director will be presented to the Board.

Please contact me at (512) 475-2213 or by email at robbye.meyer@tdhca.state.tx.us if you have any questions.

Sincerely,



Robbye Meyer
Director of Multifamily Finance



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

29700 Woodford-Tehachapi Rd., Keene, CA 93531 Tel (661) 823-6201 – Fax (661) 823-6175

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702 –Tel. (512) 474-5003 – Fax (512) 474-5010

November 28, 2007

Tom Gouris
Texas Department of Housing and Community Affairs
211 E. 11th Street
Austin, TX 78711

Re: Casa Alton, TDHCA #07302

Mr. Gouris,

Attached please find the Phase I ESA for the full 20 acres of our site under contract, revised as a result of moving a portion of the development site out of the 100 year flood plain. We respectfully request that the Department review the report in anticipation of a possible allocation of tax credits for the Development.

Sincerely,

Monica Poss
Senior Project Manager



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

Main Office: 634 S. Spring St., Ste. 400, Los Angeles, CA 90014 -- Tel. (213)362-0260 -- Fax (213)362-0265

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

November 21, 2007

Robbye Meyer
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin TX 78711-3941

Re: Casa Alton, TDHCA #07302

Dear Ms. Meyer,

Please accept our appeal to the Executive Director in response to the decision to terminate the Application for Housing Tax Credits for the above-referenced project. This Application has been terminated pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plans and Rules ("QAP") which requires an Environmental Site Assessment ("ESA") for the project site to be submitted by April 2, 2007.

For reference to the arguments set forth below, attached are the original survey, site plan, and flood zone map submitted with the original application (Exhibit A). Also attached are the revised survey, site plan, and revised flood zone map, indicating that the site was moved in order to keep the site completely out of the flood zone (Exhibit B). The survey includes the entire 20-acre portion of land; we, the Applicant, have had all of this land under site control since prior to the beginning of the 2007 Application cycle. The original site was on a 9.5-acre portion of the 20 acres, and the revised site is on an approximately 7-acre portion of that same 20 acres.

We appeal staff's decision to terminate the Application for the following reasons:

- After Los Ebanos Apartments, TDHCA #07153, withdrew their appeal for Housing Tax Credits in region 11, rural under the USDA set-aside, TDHCA staff contacted us to inform us that we were next in line to receive a tax credit award. We were informed that Los Ebanos Apartments was terminated because it no longer qualified for the set-aside. The USDA was not willing to give them a commitment of funds for a few reasons, one of which was that their site was in a 100-year flood zone. TDHCA staff indicated that, though we were next on the waiting list to receive tax credits in the set-aside, they were uncomfortable issuing those credits to Casa Alton because they understood that we had a similar flood zone issue. We suggested that we could solve this problem by moving the site out of the flood zone. Staff agreed, and with their encouragement we submitted a revised site plan along with revisions to other portions of the Application that were affected by the change. As a result of the change made to the site plan, the ESA originally submitted does not include the entire revised site (but does include a portion of the revised site), and this is the cause of the termination of the Application.
- The original proposal (attached as Exhibit C) with Raba-Kistner Consultants, Inc., the engineers who performed the ESA, was for the entire 20 acres shown on the attached survey (Exhibit A). However, the ESA submitted by Raba-Kistner only included the portion of that 20 acres that was the original project site, only the original 9.5 acres. The new 7-acre site



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

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Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010

includes about 4 acres of land that was included in the ESA, but there are about 3 acres of the new site that were not included in that 9.5-acre ESA. However, the land that was not included is contiguous with the land that was included in the report and historically under the same ownership and subject to the same uses. There is no reason to believe that conditions present on the "new" 3 acres would be different from the other 4 acres.

- A new ESA has been ordered, again for the entire 20-acre portion, as to include the 3-acre portion that was not included in the original report. The proposal is attached here (Exhibit D). We anticipate the ESA to be completed and submitted to the TDHCA by November 29, 2007.
- If Casa Alton is not awarded tax credits, the next Application in line in region 11 is Buena Vida Apartments, TDHCA #07267. The list of Applications submitted in this region is attached as Exhibit E. This is a smaller project, requesting only \$137,560 in tax credits. If this Application is awarded, the unallocated tax credits will be awarded to an Application outside of region 11, leaving this region undersubscribed by \$634,917. Rural region 11 will be left undersubscribed by \$436,577, 20% of its allocation. Region 11 is in desperate need of affordable housing, yet it would be undersubscribed for the third consecutive year if these tax credits are awarded to another project. Los Ebanos Apartments was in Alton, and an award to Casa Alton would still allow housing to be built in that city.

We appeal to the Executive Director to accept our site revisions, along with a new Environmental Site Assessment which includes the new site and ask that the Application not be terminated so that TDHCA Staff can continue underwriting. We continue to move forward so we will be able to meet the December 31 carryover deadline should tax credits be awarded to Casa Alton.

Thank you for your consideration,

Jean Coburn
Project Manager

Attachments:

- Exhibit A – original survey, site plan, and flood zone map
- Exhibit B – revised survey, site plan, and flood zone map
- Exhibit C - original ESA proposal for 20 acres
- Exhibit D – revised ESA proposal for 20 acres
- Exhibit E – 2007 applications for region 11

Exhibit A - original site plan

RODRIGUEZ ASSOCIATES ARCHITECTS & PLANNERS, INC.
 300 PULASKI AVENUE, SUITE 200, CHICAGO, ILL. 60610
 TEL: (312) 467-1100 FAX: (312) 467-1101

- AMENITIES PROVIDED IN EVERY UNIT**
- DOOR HANDICAP ON EXTERIOR - STIGEP
 - COILING PATIO OR BALCONY
 - COVERED PARKING
 - 80 HALLS AND BATHS
 - THIRTY-THREE RECREATIONAL ROOMS
 - BASKETBALL COURT AND COURT GARDEN IN OUTDOOR
 - STEAMING ROOM
- SITE AMENITIES**
- SWIMMING POOL AND SPA
 - 600 SQUARED FEET PLAYSPACE ON THE LOT
 - COMMUNITY LAUNDRY ROOM
 - STEAMING ROOM

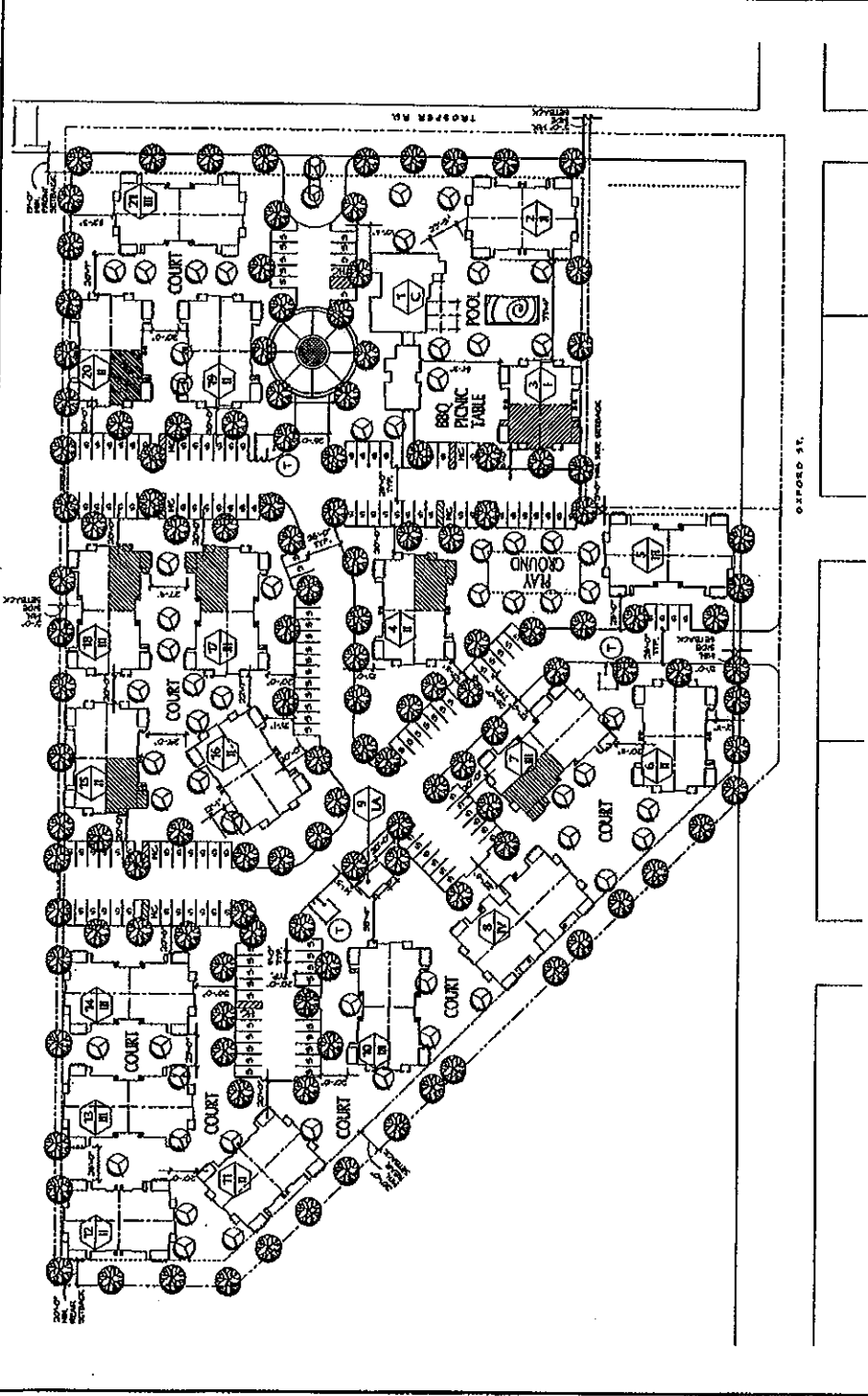
ALTON APARTMENTS
RUFINO CONTRERAS
AFFORDABLE HOUSING CORP.
HOUSING & COMMUNITY DEV.
 7500 S. MICHIGAN AVENUE, SUITE 200, CHICAGO, ILL. 60620
 TEL: (773) 486-1100 FAX: (773) 486-1101

ARCHITECTURAL SITE PLAN

DATE: 11/15/00
 SCALE: 1/8" = 1'-0"

SHEET NO. 1 OF 1

AS.1



ARCHITECTURAL SITE PLAN
 76 APARTMENT UNITS

SCALE: 1/8" = 1'-0"

SHEET LEGEND

- 1. EXISTING BUILDING FOOTPRINT
- 2. PROPOSED BUILDING FOOTPRINT
- 3. EXISTING DRIVEWAY
- 4. PROPOSED DRIVEWAY
- 5. EXISTING PARKING
- 6. PROPOSED PARKING
- 7. EXISTING LANDSCAPE
- 8. PROPOSED LANDSCAPE
- 9. EXISTING SIDEWALK
- 10. PROPOSED SIDEWALK
- 11. EXISTING CURB
- 12. PROPOSED CURB
- 13. EXISTING STREET LIGHT
- 14. PROPOSED STREET LIGHT
- 15. EXISTING UTILITY
- 16. PROPOSED UTILITY
- 17. EXISTING FENCE
- 18. PROPOSED FENCE
- 19. EXISTING SIGN
- 20. PROPOSED SIGN
- 21. EXISTING TREE
- 22. PROPOSED TREE
- 23. EXISTING SHrub
- 24. PROPOSED SHrub
- 25. EXISTING BENCH
- 26. PROPOSED BENCH
- 27. EXISTING BIKE RACK
- 28. PROPOSED BIKE RACK
- 29. EXISTING BIKE REPAIR STATION
- 30. PROPOSED BIKE REPAIR STATION
- 31. EXISTING BIKE STORAGE
- 32. PROPOSED BIKE STORAGE
- 33. EXISTING BIKE WASH
- 34. PROPOSED BIKE WASH
- 35. EXISTING BIKE REPAIR TOOL
- 36. PROPOSED BIKE REPAIR TOOL
- 37. EXISTING BIKE REPAIR PARTS
- 38. PROPOSED BIKE REPAIR PARTS
- 39. EXISTING BIKE REPAIR ACCESSORIES
- 40. PROPOSED BIKE REPAIR ACCESSORIES
- 41. EXISTING BIKE REPAIR SUPPLIES
- 42. PROPOSED BIKE REPAIR SUPPLIES
- 43. EXISTING BIKE REPAIR TOOLS
- 44. PROPOSED BIKE REPAIR TOOLS
- 45. EXISTING BIKE REPAIR EQUIPMENT
- 46. PROPOSED BIKE REPAIR EQUIPMENT
- 47. EXISTING BIKE REPAIR PARTS
- 48. PROPOSED BIKE REPAIR PARTS
- 49. EXISTING BIKE REPAIR ACCESSORIES
- 50. PROPOSED BIKE REPAIR ACCESSORIES
- 51. EXISTING BIKE REPAIR SUPPLIES
- 52. PROPOSED BIKE REPAIR SUPPLIES
- 53. EXISTING BIKE REPAIR TOOLS
- 54. PROPOSED BIKE REPAIR TOOLS
- 55. EXISTING BIKE REPAIR EQUIPMENT
- 56. PROPOSED BIKE REPAIR EQUIPMENT

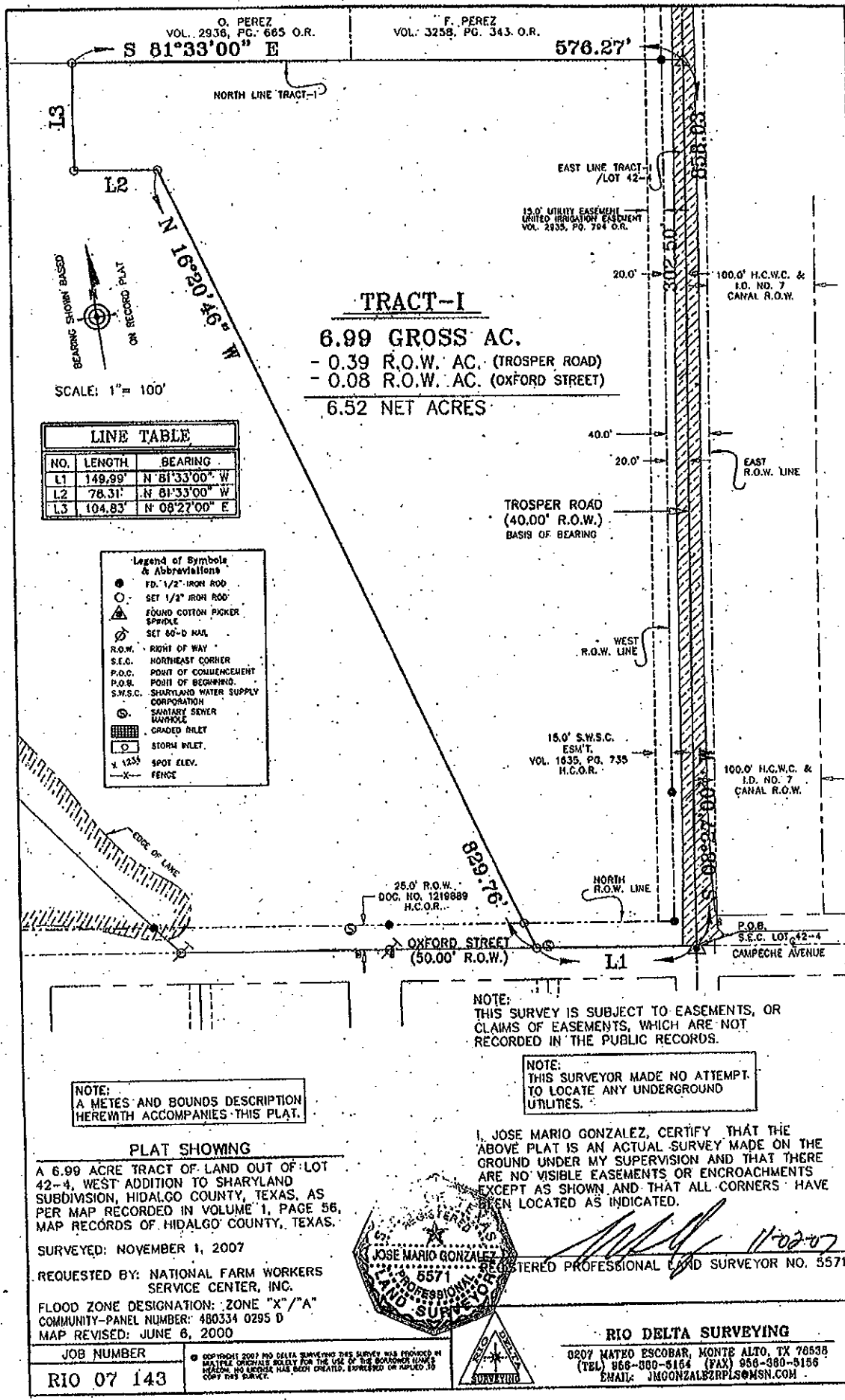
PROJECT DATA

UNIT MIX	76 APARTMENT UNITS
1 BEDROOM / 1 BATH	10
2 BEDROOM / 2 BATH	20
3 BEDROOM / 3 BATH	30
4 BEDROOM / 4 BATH	16
TOTAL NO. OF UNITS	76

PARKING PROVIDED

REQUIRED STANDARD PARKING	76
TOTAL PROVIDED PARKING	76
REQUIRED HANDICAP PARKING	1
TOTAL PROVIDED HANDICAP PARKING	1
TOTAL NO. OF PARKING	77

Exhibit B - revised survey



JOB NUMBER
RIO 07 143

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Exhibit C -
Original ESA proposal
for 20 acres



Raba-Kistner Consultants, Inc.
12821 W. Golden Lane
P.O. Box 690287, San Antonio, TX 78269-0287
(210) 699-9090 • FAX (210) 699-8426
www.rkci.com

Proposal No. PSF06-659-00
October 31, 2006

Rufino Contreras Affordable Housing Corporation
Attn: Mr. Jaime Castillo
2200 East Martin Luther King Jr. Boulevard
Austin, Texas 78702

**RE: Phase I Environmental Site Assessment
+/- 20 Acres of Land
Northwest Corner of Trospers Street & Campeche Road
Alton, Hidalgo County, Texas**

Dear Mr. Castillo:

Pursuant to your request on behalf of the Rufino Contreras Affordable Housing Corporation (CLIENT), Raba-Kistner Consultants, Inc. (R-K) is pleased to submit this proposal for a Phase I Environmental Site Assessment (ESA-I) for the above-referenced property.

We understand that the referenced property is subject to the Texas Department of Housing and Community Affairs (TDHCA) Housing Tax Credits process for proposed residential development.

Purpose And Scope Of Work

The purpose of this proposal is to define the scope of work, cost, limitations, and terms and conditions associated with completing the ESA-I for the above-referenced site. The American Society for Testing and Materials (ASTM) E 1527-05, Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process, will be used as a guidance document for the performance of the ESA-I. This standard is consistent and compliant with the Environmental Protection Agency's All Appropriate Inquire (AAI) Rule and may be used to comply with the provisions of the All Appropriate Inquiry Final Rule.

The objective of the ESA-I is to evaluate historical and present uses of the site for evidence of impacts by hazardous substances regulated under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and petroleum products to permit the CLIENT to satisfy one of the requirements to qualify for the "innocent landowner defense, contiguous property owner, or bona fide prospective purchaser" to CERCLA liability. The ESA-I will be conducted by an environmental professional meeting requirements as set forth in 40 CFR §312.10(b) under standards of good commercial and customary practices that constitute "appropriate inquiry into the previous ownership and uses of the property" as defined in 42 USC § 9601(35)(B).

Specifically, the scope of work for the ESA-I include the following components as a minimum:

Review of Existing Data and Records

Review of Records and Resource Materials: R-K will review reasonably ascertainable pertinent records and resource materials that are practically reviewable within the cost and time constraints of the ESA-I. Federal, state, local, and facility records will be evaluated for environmentally significant information regarding the site and documented facilities or incidents within the approximate minimum search distance established by the environmental professional in accordance with the ASTM standard.

Review of Recorded Land Title Records: R-K will review records of fee ownership, leases, land contracts, easements, liens, and other encumbrances on or of the property as provided by CLIENT or owner, for the purpose of identifying past owners or operators on the site who may have been involved in activities known or reported to include the generation, handling, or disposal of hazardous waste.

Site Reconnaissance

R-K will perform a site reconnaissance in an attempt to identify *recognized environmental conditions* in connection with the property. The environmental professional shall visually and physically observe the property, and any structure(s) located on the property not obstructed by bodies of water, adjacent buildings, or other obstacles for environmental hazards and conditions related to the property. The adjoining properties, structures, and potential recognizable environmental hazards and conditions of the property shall be observed visually from all adjacent public thoroughfares, roads, or access points, as well as subject property. The extent of the site reconnaissance is subject to limiting conditions such as weather, impassable obstacles, or access restricted by owners or occupants.

Interviews

In order to comply with the AAI rules, it is mandatory for R-K to conduct interviews with current owner(s) and occupant(s) of the subject property. Should the CLIENT not wish R-K to contact current or past owners or occupants, the CLIENT shall notify R-K in writing.

Additional interviews will be conducted with parties such as current and past facility managers, past owners, operators or occupants of the property, and employees of the government, environmental regulatory personnel, fire department personnel, health department personnel, and occupants or owners of adjoining properties or operations as necessary and or practical to meet the objectives and performance factors of the AAI rule. Interviews include inquiries in person, by telephone, or by written correspondence. Information from interviews shall be documented including persons interviewed, date and time of the interview, and information provided. In the event an interview is not possible, this possible data gap will be discussed in the report.

Findings Evaluation and Report Preparation

The final report of the ESA-I will include: 1) documentation of information sources; 2) the facts and description of environmental conditions relevant to the site; 3) the identity and qualifications of the environmental professional(s) involved in the performance of the ESA-I, including signed declarations; 4) the opinion by the environmental professional of the impact of *recognized environmental conditions* in connection with the property; and 5) recommendations for further action if deemed warranted.

Limitations

The ESA-I is a limited inquiry into the environmental characteristics of the property. It includes an opinion on the existence of regulated environmental conditions and contamination (e.g., hazardous substances and petroleum products) by an environmental professional based upon visual inspection and an examination of readily available public and facility records, interviews with people knowledgeable about the site.

ASTM E 1527-05 defines "*recognized environmental conditions*" as the presence or likely presence of any hazardous substances or petroleum products on the SITE under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the SITE or into the ground, ground water, or surface water of the SITE. This term is not intended to include *de minimus* conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies.

This ESA-I does not include intrusive investigations or sampling or analyses of any kind unless authorized as additional scope considerations. Furthermore, the location or identification of undocumented buried tanks or concealed wastes, hidden conditions, and subsurface conditions are not included.

Additional Business Environmental Risk Considerations

This ESA-I is not intended to be a detailed study to identify or quantify all potential environmental concerns. Other issues not included within the standard ESA-I scope of work, but which may be performed as additional scope services include, but are not limited to, the investigation and/or evaluation of asbestos-containing building materials (ACBM), lead-based paint, lead and other contaminants in drinking water, radon gas, indoor air quality, or ecological, cultural and historical resources (i.e., wetlands, threatened or endangered species, archeological resources, sole source aquifers, etc.). Such factors could pose an additional "*business environmental risk*" to parties involved and can also be evaluated in conjunction with, or supplemental to the ESA-I.

As it is R-K's understanding that the referenced property is subject to the Texas Department of Housing and Community Affairs (TDHCA) Housing Tax Credits process for proposed residential development, the TDHCA 2006 Real Estate Analysis Rules & Guidelines: §1.35 Environmental Site Assessment Rules and Guidelines will be addressed as part of the proposed ESA-I process.

Cost And Duration

We will provide the above scope of service for a **LUMP SUM FEE of \$2,900.00**. This fee does not include intrusive investigations, sampling, or analyses of any kind, unless authorized as additional scope considerations. Additional services, if requested, will be billed in accordance with our standard fees for professional services, as indicated on the attached Schedule of Fees.

We are prepared to initiate this project immediately and anticipate that we can complete the scope of work described above within two business weeks after we receive written authorization to proceed.

We will issue two (2) original signed, dated and bound copies of the report addressed to the undersigned. If other parties wish to rely on the ESA-I report, please have them contact us so that a mutual understanding and agreement of the terms and conditions for our services can be established prior to their use of this information.

R-K will not extend reliance or liability on the information provided in the ESA-I report beyond ASTM E-1527-05 "shelf life" requirements, currently one year, unless an update assessment has been performed by R-K.

Items To Be Provided By CLIENT

1. Legal description of the property, preferably Commitment for Title Insurance and/or 50-year chain-of-title run, if applicable.
2. Copy of the latest Survey Plat or Site Plan of the property and current Floor Plans, if applicable.
3. Copies or access to copies of reports of previous studies of the site especially:
 - a. Geotechnical reports.
 - b. Environmental permits.
 - c. Records with respect to all previous environmental studies or remediation, including but not limited to, asbestos surveys.
4. Provision for access to site and tenant spaces on a schedule agreed upon by CLIENT and contact information for current and past owners and occupants as available.
5. In order to qualify for one of the Landowner Liability Protections (LLPs), the CLIENT must complete an R-K provided questionnaire. Otherwise, failure to complete this information could result in a determination that "all appropriate inquiry" is not complete.

Acceptance

We appreciate the opportunity to work with you on this important assignment, which will be carried out in accordance with this letter and the following attachments:

<u>Attachment</u>	<u>Description</u>
I	Standard Terms and Conditions
II	Schedule of Fees for Professional Services

Our invoices are due and payable upon receipt at P.O. Box 971037, Dallas, Texas 75397-1037. All parties hereby agree that this contract upon acceptance will be performable in Hidalgo County, Texas.

Please return one signed copy of this letter proposal to provide written authorization for our firm to commence work on the services outlined herein. Again, we appreciate the opportunity to be of service to you and look forward to beginning work on this project.

R-K considers the data and information contained in this proposal to be proprietary. This statement of qualifications and any information contained herein shall not be disclosed and shall not be duplicated or used in whole or in part for any purpose other than to evaluate this proposal.

Very truly yours,

RABA-KISTNER CONSULTANTS, INC.


Rodney Moore
Environmental Professional
Project Manager

RVM/ff

Attachments:

- I – Standard Terms and Conditions
- II – Schedule of Fees for Professional Services

Copies Submitted: Above (2)

Accepted By


(Signature)

Monica Poss
(Typed or Printed Name)

Sr. Proj. Manager
(Title)

Date

11/13/06

ATTACHMENT I

RABA-KISTNER COMPANIES

STANDARD TERMS AND CONDITIONS

1. RABA-KISTNER (Raba-Kistner Consultants, Inc.; Raba-Kistner Consultants (SW), Inc.; Raba-Kistner-Brytest, Inc.; Raba-Kistner Infrastructure, Inc.) is being engaged by the CLIENT to render professional services involving various aspects of design, construction observation, or the condition of various building, site, and/or environmental materials, which may contain or be contaminated by hazardous materials and asbestos containing materials (ACM).

Raba-Kistner (hereafter referred to as R-K) provides a wide variety of services. Services provided by different R-K companies or different departments therein, to the same Client, occasionally overlap. CLIENT acknowledges that R-K has no obligation to research prior work by R-K for CLIENT or others, or work performed by R-K or others at the proposed project site, regardless of the specific R-K companies, departments or office locations that will be involved in the proposed work.

2. R-K will perform its services in accordance with the standard of care and diligence normally practiced by recognized professional firms in performing services of a similar nature, in the same locality, under similar circumstances. CLIENT expressly acknowledges that R-K makes no other warranties or guarantees, expressed or implied, regarding the services set forth herein. CLIENT expressly acknowledges that all of the services provided to it by R-K pursuant to this Agreement are professional services involving only R-K's advice, judgment and opinion. R-K will apply professional judgment in determining the extent to which R-K will comply with any given standard identified in R-K's instruments of professional services. Unless otherwise stated in writing, such compliance, referred to as "general compliance", specifically excludes consideration of any standard listed as a reference in the text of those standards cited by R-K.
3. CLIENT will provide right-of-entry to the buildings and sites which are the subjects of R-K's services. CLIENT represents that it possesses authority for such right-of-entry and that the building/site operator(s) possess the necessary permits and licenses for current activities at the site.
4. The CLIENT will be responsible for providing the location of all underground utilities and other structures in the vicinity of our borings. We cannot accept responsibility and will not be liable for penetrating any underground utility, underground storage tank, or other subsurface condition not previously identified and located, or improperly located, by the CLIENT or a utility agency.
5. If materials are encountered in the field which are judged to be potentially hazardous or a danger to our personnel, all field work will cease and the CLIENT will be notified. Subsequent work on the project will then be conducted only with specific additional authorization from the CLIENT and will be charged at appropriate revised unit rates. The scope of work and cost estimate does not include the cost of containerizing any waste or cuttings or their removal from the site. Such materials will be containerized and left at the site.

The results of sample analyses or other information will be used to render a professional opinion regarding the nature of materials left on site. If this information indicates the materials are hazardous or potentially hazardous, and if CLIENT does not wish the waste or drill cuttings to be left on site, R-K will have such materials transported to a licensed facility for final disposal using a manifest signed by the CLIENT as generator. CLIENT agrees to pay all costs associated with management, analyses, storage, transportation, and disposal of materials. CLIENT recognizes and agrees that R-K at no time assumes ownership to said materials.

6. The scope of work and cost estimate does not include costs incurred to provide access to sites which are inaccessible to our truck-mounted drill rigs and support vehicles. They also do not include costs incurred due to delays caused by inclement weather.
7. All samples obtained at the site will be managed by R-K. R-K will retain preservable samples and the residues from testing of all samples that, in R-K's professional opinion, do not contain materials that are hazardous or potentially hazardous, for 30 days after submission of its report. The samples and residues will be disposed of at the end of the 30 day period.

In the event that in R-K's professional opinion, the samples contain potential constituents of concern, R-K will return such samples and residues to CLIENT, or, using a manifest signed by CLIENT as generator, R-K will have such samples transported to a licensed facility for final disposal. CLIENT agrees to pay all costs associated with management, analyses, storage, transportation, and disposal of materials. CLIENT recognizes and agrees that R-K at no time assumes ownership of said samples.

8. R-K will be compensated largely on the basis of the time required in rendering these professional services – not on the basis of potential legal liabilities created by any risks associated from the hazardous materials and ACM.

During its prime, asbestos was used in over 3,000 different products and can still be found in some products today. Consequently, attempts to locate and identify "all" asbestos in a survey would be both impractical and cost prohibitive. If retained to conduct an asbestos survey, R-K will direct its efforts at locating accessible, friable asbestos and non-friable asbestos which, in R-K's professional opinion, might become friable as a result of remodeling activities.

Likewise, several thousand chemicals, wastes, and other materials have been designated as hazardous or toxic by various laws and regulations. If retained to conduct a site assessment with respect to such materials, R-K will direct its efforts at locating the most significant sources, or potential sources, of such materials which, in R-K's professional opinion, have the potential for causing the most significant impact.

9. R-K may provide CLIENT with a written report in connection with the services performed. The report will present such findings and conclusions as R-K may reasonably make with the information gathered while performing its services. In preparing the report, R-K may review and interpret certain information provided to it by the CLIENT or by third parties. R-K will not conduct an independent evaluation of the accuracy or completeness of such information and shall not be responsible for any errors or omissions contained in such information. The report and other instruments of service are prepared for, and made available for the sole use of, the CLIENT, and the contents thereof may not be used or relied upon by any other person without the express written authorization of R-K. Any unauthorized use or distribution shall be at the CLIENT's sole risk and without liability to R-K.

R-K's reports, drawings, plans, specifications, and other project related documents and deliverables are instruments of professional service ("instruments") developed by R-K in contemplation of a wide array of project-specific variables, including how the documents will be used and by whom. R-K shall be the owner and custodian of the instruments, and shall take appropriate measures to help prevent unauthorized use of them. Accordingly, during development of the scope of service, CLIENT and R-K shall together identify those who, in addition to CLIENT, may use the various instruments and for what purposes, and R-K shall copyright the instruments to make illegal any unauthorized duplication, other reproduction or copying, quotation, or excerption of them.

Parties other than those identified by CLIENT and R-K may apply to use an instrument, using a form prepared by R-K for that purpose. Others' use of an instrument shall be permitted only when CLIENT and R-K both so agree; either shall have the right to forbid use by others. In addition, R-K shall make its permission contingent upon the satisfaction of certain conditions when, in R-K's professional judgment, such a contingency is necessary.

10. CLIENT will indemnify R-K against any claims or costs which exceed the limitation on R-K's liability provided for in this document, or result from acts or omissions of CLIENT. If litigation or threat of litigation ensues not involving R-K, CLIENT agrees to bear the full cost for R-K to comply with applicable State law and any court orders to provide access to R-K's files, personnel, facilities and equipment.
11. The person or entity responsible for performing the Work under the contract for Construction shall be defined as the Contractor. R-K's site safety responsibilities are solely limited to the activities of R-K and R-K's employees on the site. These responsibilities shall not be inferred by any party to mean that R-K has responsibility for site safety for any reason. Safety in, on or about the site is the sole and exclusive responsibility of the Contractor alone. The Contractor's methods of work performance, supervision of the Contractor's employees, and sequencing of construction are also the sole and exclusive responsibility of the Contractor alone. CLIENT warrants that these responsibilities will be made clear in CLIENT'S agreement with the Contractor; CLIENT'S agreement with the Contractor shall require the Contractor, to the extent of Contractor's negligence, to indemnify, defend and hold CLIENT and R-K harmless from any fine, penalty, claim, or liability for injury or loss arising from CLIENT's and R-K's alleged failure to exercise site safety responsibility; and CLIENT'S agreement with Contractor and all Subcontractors shall require the Contractor and Subcontractors to make CLIENT and R-K additional insureds under the Contractor's and all Subcontractor's general liability insurance policy, which insurance protection shall be primary protection for CLIENT and R-K, and shall hold

CLIENT and R-K harmless from claims, losses, and defense arising from the negligence of Contractor or Subcontractor on any tier.

12. R-K's liability to CLIENT, or to any third party, for injury or damage to persons or property arising out of work performed for CLIENT and for which legal liability may be found to rest upon R-K, other than for professional errors and omissions, will be limited to R-K's available general liability insurance coverage of \$1,000,000. For any damage on account of any error, omission, or other professional negligence, R-K's liability to CLIENT, or to any third party, will be limited to a sum not to exceed \$50,000 or R-K's project fee for that portion of R-K's work found to be defective, whichever is greater.
13. Cancellation of the Agreement to which these terms and conditions apply may be made by either party for just cause after 30 days' written notification of intent of cancellation is provided to the other party. In the event the CLIENT elects to terminate the Agreement, R-K will be compensated in full for all services, materials, supplies, and expenses incurred prior to the actual cancellation date of the Agreement. The CLIENT shall in any event pay all amounts invoiced that the CLIENT does not dispute as provided herein.
14. If the Client fails to make payments when due or otherwise is in breach of this Agreement, R-K may suspend performance of services upon 7 calendar days' notice to the Client. R-K shall have no liability whatsoever to the Client for any costs or damages as a result of such suspension caused by any breach of this Agreement by the Client. Upon payment in full by the Client, R-K shall resume services under this Agreement, and the time schedule and compensation shall be equitably adjusted to compensate for the period of suspension plus any other reasonable time and expense necessary for R-K to resume performance. If the Client fails to make payment to R-K in accordance with the payment terms herein, this shall constitute a material breach of this Agreement and shall be cause for termination of this Agreement by R-K. Payment of invoices shall not be subject to any discounts or set-offs by the Client unless agreed to in writing by R-K. Payment to R-K for services rendered and expenses incurred shall be due and payable regardless of any subsequent suspension or termination of this Agreement by either party.
15. All claims, disputes, and other controversy between R-K and CLIENT arising out of or in any way related to the services provided by R-K will be submitted to "alternative dispute resolution" (ADR) such as mediation, before and as a condition precedent to other remedies provided by law. If a dispute at law arises related to these services and that dispute requires litigation as provided above, then; CLIENT assents to personal jurisdiction in the State of R-K's principal place of business; The claim will be brought and tried in judicial jurisdiction of the court of the county where R-K's principal place of business is located, and CLIENT waives the right to remove action to any other county or jurisdiction; and The prevailing party will be entitled to recovery of all reasonable costs incurred, including staff time, court costs, attorneys' and expert witness fees, and other claim-related expenses.
16. Neither party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control "Force Majeure" including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected. Force Majeure may not be claimed as a cause for delay in payment of money due and payable hereunder.
17. Each provision of this Agreement is intended to be several. If any terms or provisions of this agreement shall be held to be invalid, illegal, or unenforceable of any reason whatsoever, the validity, legality, and enforceability of the remaining provisions hereof shall remain in full force and effect and shall not in any way be affected or impaired thereby. Moreover, to the maximum extent allowed by law, the Parties hereto stipulate that any offending provisions will be modified or altered, as necessary, so as to give such provision the maximum permissible effect and application intended.
18. This Agreement, and all of its attachments, constitutes the entire, integrated Agreement between the Parties to it, and this Agreement supersedes all other Agreements, oral or written between the Parties, concerning the subject set forth in this Agreement. This Agreement may not be amended except in writing, with that amendment being signed by both Parties.

Proposal No. PSF06-659-00
October 31, 2006

ATTACHMENT II

RABA-KISTNER CONSULTANTS, INC.

SCHEDULE OF FEES FOR PROFESSIONAL SERVICES

PERSONNEL: Principal.....\$135 to \$205/hour
Professional\$59 to \$185/hour
Auto Cad Operator.....\$70 to \$95/hour
Technical/Clerical/Administrative\$38 to \$65/hour

The specific hourly rate within each classification listed above depends on the experience, special training, and qualifications of the personnel needed for the project. For projects requiring work at any hazardous waste site, there will be a \$10 per hour surcharge added to the normal billing rate for all personnel. Consultants to Raba-Kistner (R-K) will be charged according to their professional classification.

EXPENSES: Use of company automobiles will be charged at \$0.50 per mile. Automobiles and light trucks assigned to field sites will be charged at \$50.00 per day, plus \$0.50 per mile over 50 miles per day. Copies will be charged at \$0.25 per page.

Other project specific charges for use of R-K equipment or for R-K testing will be in accordance with established fee schedules. All other project specific, third-party costs will be charged at cost plus 15 percent.

Invoices will be submitted monthly for work in progress in our standard format. They are due and payable upon receipt and become past due 30 days after the billing date. Past due invoices may be subject to late charges at the rate of 1-1/2 percent per month (18 percent per annum). In the event that the State of Texas legislates a sales tax on Professional Services, the amount of the tax will be PAYMENT added to the appropriate service rate charged. Our invoices are due and payable upon receipt at P.O. Box 971037, Dallas, Texas 75397-1037.

Preparation of non-standard invoice will be charged on a time and materials basis in accordance with the rates in this fee schedule.

CONDITIONS: Services will be performed in accordance with our Standard Terms and Conditions.

The proposal to which this schedule is an attachment is valid for 90 days from the date of the proposal.

Exhibit D - new ESA
proposal for 20 acres



Raba-Kistner Consultants, Inc.
800 E. Hackberry
McAllen, Texas 78501
(956) 682-5332 • FAX (956) 682-6487
www.rkci.com

Proposal No. PSF07-670-00
November 14, 2007

National Farm Workers Service Center
Rufino Contreras Affordable Housing Corporation
Attn: Ms. Monica Poss
908 E. 5th Street, Suite 201
Austin, Texas 78702

**RE: Phase I Environmental Site Assessment
+/- 20 Acres of Land
Northwest Corner of Trospen Street & Campeche Avenue
Alton, Hidalgo County, Texas**

Dear Ms. Poss:

Pursuant to your request on behalf of the National Farm Workers Service Center, Rufino Contreras Affordable Housing Corporation (CLIENT), Raba-Kistner Consultants, Inc. (R-K) is pleased to submit this proposal for a Phase I Environmental Site Assessment (ESA-I) for the above-referenced property.

We understand that the referenced property is subject to the Texas Department of Housing and Community Affairs (TDHCA) Housing Tax Credits process for proposed residential development.

Purpose and Scope of Work

The purpose of this proposal is to define the scope of work, cost, limitations, and terms and conditions associated with completing the ESA-I for the above-referenced site. The American Society for Testing and Materials (ASTM) E 1527-05, Standard Practice for Environmental Site Assessments; Phase I Environmental Site Assessment Process, will be used as a guidance document for the performance of the ESA-I. This standard is consistent and compliant with the Environmental Protection Agency's All Appropriate Inquire (AAI) Rule and may be used to comply with the provisions of the All Appropriate Inquiry Final Rule.

The objective of the ESA-I is to evaluate historical and present uses of the site for evidence of impacts by hazardous substances regulated under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and petroleum products to permit the CLIENT to satisfy one of the requirements to qualify for the "innocent landowner defense, contiguous property owner, or bona fide prospective purchaser" to CERCLA liability. The ESA-I will be conducted by an environmental professional meeting requirements as set forth in 40 CFR §312.10(b) under standards of good commercial and customary practices that constitute "appropriate inquiry into the previous ownership and uses of the property" as defined in 42 USC § 9601(35) (B).

development, the TDHCA 2006 Real Estate Analysis Rules & Guidelines: §1.35 Environmental Site Assessment Rules and Guidelines will be addressed as part of the proposed ESA-I process.

Cost and Duration

We will provide the above scope of service for a **LUMP SUM FEE of \$2,400.00**. This fee does not include intrusive investigations, sampling, or analyses of any kind, unless authorized as additional scope considerations. Additional services, if requested, will be billed in accordance with our standard fees for professional services, as indicated on the attached Schedule of Fees.

We are prepared to initiate this project immediately and anticipate that we can complete the scope of work described above within two business weeks after we receive written authorization to proceed.

We will issue two (2) original signed, dated and bound copies of the report addressed to the undersigned. If other parties wish to rely on the ESA-I report, please have them contact us so that a mutual understanding and agreement of the terms and conditions for our services can be established prior to their use of this information.

R-K will not extend reliance or liability on the information provided in the ESA-I report beyond ASTM E-1527-05 "shelf life" requirements, currently one year, unless an update assessment has been performed by R-K.

Items to be Provided by CLIENT

1. Legal description of the property, preferably Commitment for Title Insurance and/or 50-year chain-of-title run, if applicable.
2. Copy of the latest Survey Plat or Site Plan of the property and current Floor Plans, if applicable.
3. Copies or access to copies of reports of previous studies of the site especially:
 - a. Geotechnical reports.
 - b. Environmental permits.
 - c. Records with respect to all previous environmental studies or remediation, including but not limited to, asbestos surveys.
4. Provision for access to site and tenant spaces on a schedule agreed upon by CLIENT and contact information for current and past owners and occupants as available.
5. In order to qualify for one of the Landowner Liability Protections (LLPs), the CLIENT must complete an R-K provided questionnaire. Otherwise, failure to complete this information could result in a determination that "all appropriate inquiry" is not complete.

Acceptance

We appreciate the opportunity to work with you on this important assignment, which will be carried out in accordance with this letter and the following attachments:

Proposal No. PSF07-670-00
November 14, 2007

5

Attachment

I
II

Description

Standard Terms and Conditions
Schedule of Fees for Professional Services

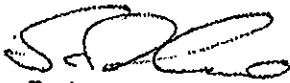
Our invoices are due and payable upon receipt at P.O. Box 971037, Dallas, Texas 75397-1037. All parties hereby agree that this contract upon acceptance will be performable in Hidalgo County, Texas.

Please return one signed copy of this letter proposal to provide written authorization for our firm to commence work on the services outlined herein. Again, we appreciate the opportunity to be of service to you and look forward to beginning work on this project.

R-K considers the data and information contained in this proposal to be proprietary. This statement of qualifications and any information contained herein shall not be disclosed and shall not be duplicated or used in whole or in part for any purpose other than to evaluate this proposal.

Very truly yours,

RABA-KISTNER CONSULTANTS, INC.

 for
Rodney Moore
Environmental Professional
Project Manager

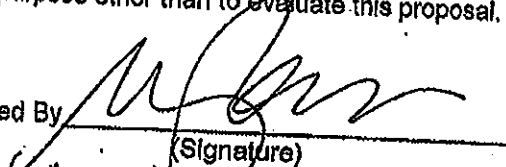
RVM/jw

Attachments:

- I - Standard Terms and Conditions
- II - Schedule of Fees for Professional Services

Copies Submitted: Above (2)

Accepted By



(Signature)

MONICA ROSS

(Typed or Printed Name)

Senior Project Manager

(Title)

Date

11/14/07

ATTACHMENT I

RABA-KISTNER COMPANIES

STANDARD TERMS AND CONDITIONS

1. RABA-KISTNER (Raba-Kistner Consultants, Inc.; Raba-Kistner Consultants (SW), Inc.; Raba-Kistner-Brytest, Inc.; Raba-Kistner Infrastructure, Inc.) is being engaged by the CLIENT to render professional services involving various aspects of design, construction observation, or the condition of various building, site, and/or environmental materials, which may contain or be contaminated by hazardous materials and asbestos containing materials (ACM).

Raba-Kistner (hereafter referred to as R-K) provides a wide variety of services. Services provided by different R-K companies or different departments therein, to the same Client, occasionally overlap. CLIENT acknowledges that R-K has no obligation to research prior work by R-K for CLIENT or others, or work performed by R-K or others at the proposed project site, regardless of the specific R-K companies, departments or office locations that will be involved in the proposed work.

2. R-K will perform its services in accordance with the standard of care and diligence normally practiced by recognized professional firms in performing services of a similar nature, in the same locality, under similar circumstances. CLIENT expressly acknowledges that R-K makes no other warranties or guarantees, expressed or implied, regarding the services set forth herein. CLIENT expressly acknowledges that all of the services provided to it by R-K pursuant to this Agreement are professional services involving only R-K's advice, judgment and opinion. R-K will apply professional judgment in determining the extent to which R-K will comply with any given standard identified in R-K's instruments of professional services. Unless otherwise stated in writing, such compliance, referred to as "general compliance", specifically excludes consideration of any standard listed as a reference in the text of those standards cited by R-K.
3. CLIENT will provide right-of-entry to the buildings and sites which are the subjects of R-K's services. CLIENT represents that it possesses authority for such right-of-entry and that the building/site operator(s) possess the necessary permits and licenses for current activities at the site.
4. The CLIENT will be responsible for providing the location of all underground utilities and other structures in the vicinity of our borings. R-K cannot accept responsibility to conduct a site assessment with respect to such materials, underground storage tank, or other subsurface condition not previously identified and located, or improperly located, by the CLIENT or a utility agency.
5. If materials are encountered in the field which are judged to be potentially hazardous or a danger to our personnel, all field work will cease and the CLIENT will be notified. Subsequent work on the project will then be conducted only with specific additional authorization from the CLIENT and will be charged at appropriate revised unit rates. The scope of work and cost estimate does not include the cost of containerizing any waste or cuttings or their removal from the site. Such materials will be containerized and left at the site.

The results of sample analyses or other information will be used to render a professional opinion regarding the nature of materials left on site. If this information indicates the materials are hazardous or potentially hazardous, and if CLIENT does not wish the waste or drill cuttings to be left on site, R-K will have such materials transported to a licensed facility for final disposal using a manifest signed by the CLIENT as generator. CLIENT agrees to pay all costs associated with management, analysis, storage,

transportation, and disposal of materials. CLIENT recognizes and agrees that R-K at no time assumes ownership to said materials.

6. The scope of work and cost estimate does not include costs incurred to provide access to sites which are inaccessible to our truck-mounted drill rigs and support vehicles. They also do not include costs incurred due to delays caused by inclement weather.
7. All samples obtained at the site will be managed by R-K. R-K will retain preservable samples and the residues from testing of all samples that, in R-K's professional opinion, do not contain materials that are hazardous or potentially hazardous, for 30 days after submission of its report. The samples and residues will be disposed of at the end of the 30 day period.

In the event that in R-K's professional opinion, the samples contain potential constituents of concern, R-K will return such samples and residues to CLIENT, or, using a manifest signed by CLIENT as generator, R-K will have such samples transported to a licensed facility for final disposal. CLIENT agrees to pay all costs associated with management, analysis, storage, transportation, and disposal of materials. CLIENT recognizes and agrees that R-K at no time assumes ownership of said samples.

8. R-K will be compensated largely on the basis of the time required in rendering these professional services - not on the basis of potential legal liabilities created by any risks associated from the hazardous materials and ACM.

During its prime, asbestos was used in over 3,000 different products and can still be found in some products today. Consequently, attempts to locate and identify "all" asbestos in a survey would be both impractical and cost prohibitive. If retained to conduct an asbestos survey, R-K will direct its efforts at locating accessible, friable asbestos and non-friable asbestos which, in R-K's professional opinion, might become friable as a result of remodeling activities.

Likewise, several thousand chemicals, wastes, and other materials have been designated as hazardous or toxic by various laws and regulations. If retained to conduct a site assessment with respect to such materials, R-K will direct its efforts at locating the most significant sources, or potential sources, of such materials which, in R-K's professional opinion, have the potential for causing the most significant impact.

9. R-K may provide CLIENT with a written report in connection with the services performed. The report will present such findings and conclusions as R-K may reasonably make with the information gathered while performing its services. In preparing the report, R-K may review and interpret certain information provided to it by the CLIENT or by third parties. R-K will not conduct an independent evaluation of the accuracy or completeness of such information and shall not be responsible for any errors or omissions contained in such information. The report and other instruments of service are prepared for, and made available for the sole use of the CLIENT, and the contents thereof may not be used or relied upon by any other person without the express written authorization of R-K. Any unauthorized use or distribution shall be at the CLIENT's sole risk and without liability to R-K.

R-K's reports, drawings, plans, specifications, and other project related documents and deliverables are instruments of professional service ("instruments") developed by R-K in

contemplation of a wide array of project-specific variables, including how the documents will be used and by whom. R-K shall be the owner and custodian of the Instruments, and shall take appropriate measures to help prevent unauthorized use of them. Accordingly, during development of the scope of service, CLIENT and R-K shall together identify those who, in addition to CLIENT, may use the various Instruments and for what purposes, and R-K shall copyright the Instruments to make illegal any unauthorized duplication, other reproduction or copying, quotation, or excerption of them.

Parties other than those identified by CLIENT and R-K may apply to use an Instrument, using a form prepared by R-K for that purpose. Others' use of an Instrument shall be permitted only when CLIENT and R-K both so agree; either shall have the right to forbid use by others. In addition, R-K shall make its permission contingent upon the satisfaction of certain conditions when, in R-K's professional judgment, such a contingency is necessary.

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12. For any damage on account of any error, omission, or other professional negligence, R-K's liability to CLIENT, or to any third party, will be limited to a sum not to exceed \$50,000 or R-K's project fee for that portion of R-K's work found to be defective, whichever is greater. R-K's liability to CLIENT, or to any third party, for injury or damage to persons or property arising out of work performed for CLIENT and for which legal liability may be found to rest upon R-K, other than for professional errors and omissions, will be limited to R-K's available general liability insurance coverage of \$1,000,000.
13. Cancellation of the Agreement to which these terms and conditions apply may be made by either party for just cause after 30 days' written notification of intent of cancellation is provided to the other party. In the event the CLIENT elects to terminate the Agreement, R-K will be compensated in full for all services, materials, supplies, and expenses incurred prior to the actual cancellation date of the Agreement. The CLIENT shall in any event pay all amounts invoiced that the CLIENT does not dispute as provided herein.
14. If the Client fails to make payments when due or otherwise is in breach of this Agreement, R-K may suspend performance of services upon 7 calendar days' notice to the Client. R-K shall have no liability whatsoever to the Client for any costs or damages as a result of such suspension caused by any breach of this Agreement by the Client. Upon payment in full by the Client, R-K shall resume services under this Agreement, and the time schedule and compensation shall be equitably adjusted to compensate for the period of suspension plus any other reasonable time and expense necessary for R-K to resume performance. If the Client fails to make payment to R-K in accordance with the payment terms herein, this shall constitute a material breach of this Agreement and shall be cause for termination of this Agreement by R-K. Payment of invoices shall not be subject to any discounts or set-offs by the Client unless agreed to in writing by R-K. Payment to R-K for services rendered and expenses incurred shall be due and payable regardless of any subsequent suspension or termination of this Agreement by either party.
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16. Neither party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control ("Force Majeure") including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected. Force Majeure may not be claimed as a cause for delay in payment of money due and payable hereunder.
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18. This Agreement, and all of its attachments, constitutes the entire, integrated Agreement between the Parties to it, and this Agreement supersedes all other Agreements, oral or written between the Parties, concerning the subject set forth in this Agreement. This Agreement may not be amended except in writing, with that amendment being signed by both Parties.

Proposal No. PSF07-670-00
November 14, 2007

ATTACHMENT II

RABA-KISTNER CONSULTANTS, INC.

SCHEDULE OF FEES FOR PROFESSIONAL SERVICES

<u>PERSONNEL:</u> Principal.....	\$136 to \$205/hour
Professional	\$65 to \$190/hour
Auto Cad Operator.....	\$70 to \$95/hour
Technical/Clerical/Administrative	\$38 to \$70/hour

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Preparation of non-standard invoice will be charged on a time and materials basis in accordance with the rates in this fee schedule.

CONDITIONS: Services will be performed in accordance with our Standard Terms and Conditions.

The proposal to which this schedule is an attachment is valid for 90 days from the date of the proposal.

Exhibit E - 2007 Applications for region 11

Region 11 Development Name Address City Allocation² Set-Asides³ U Total Target⁴ Housing⁵ ACQ Request Contact TDHCA Awarded HOME Score Notes

Region: 11
 Allocation for Region 11: Total Credits Available for Region: \$5,968,980 Rural Allocation: \$2,173,331 Urban/Exurban Allocation: \$3,795,649
 5% Required for USDA: \$298,449 15% Required for At-Risk: \$895,347

Region	Development Name	Address	City	Allocation ²	Set-Asides ³	U	Total	Target ⁴	Housing ⁵	ACQ	Request Contact	TDHCA Awarded	HOME Score	Notes
Applications Submitted in Region 11: Urban/Exurban														
07094	11 A Mesquite Terrace	400 Blk of E. Thomas Rd.	Pharr	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	106	106	Elderly	NC	Roy Navarro	\$301	FWD	
07045	11 A Providence at Edinburg	201 N. 13th Ave.	Edinburg	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	100	100	Elderly	NC	Bill Fisher	\$300	BA	
07044	11 A Providence at Boca Chica	Intersection of Ash St. & Elm St.	Brownsville	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	151	158	General	RH	Bill Fisher	\$300	BA	
07013	11 A Las Carteras Apartments	415 E. Thomas Rd.	Pharr	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	100	100	General	NC	William (Bill) J. Lee	\$300	BA	
07012	11 A Villa del Sol	700 E. St. Charles St.	Brownsville	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	189	199	Elderly	RH	William (Bill) J. Lee	\$300	BA	
Total: 646 663														
07183	11 P Sunset Terrace	920 W. Villegas	Pharr	U/EX	<input type="checkbox"/>	<input type="checkbox"/>	100	100	General	RC	Roy Navarro	\$215	REA	
07182	11 P Retama Village - Phase II	2301 Jasmine Ave.	McAllen	U/EX	<input type="checkbox"/>	<input type="checkbox"/>	74	74	General	RC	Joe Saenz	\$203	REA	
07206	11 P Villa Estrella Trevino	15 Acres of 20 Acres 1/4 Mile E. of Sugar Rd., N. Side of Mile 17 1/2 Rd.	Edinburg	U/EX	<input type="checkbox"/>	<input type="checkbox"/>	161	168	Elderly	NC	Gilbert de los Santos	\$203	REA	
07185	11 P Bluebonnet Senior Village	1201 W. Austin Lane	Alamo	U/EX	<input type="checkbox"/>	<input type="checkbox"/>	36	36	Elderly	NC	Mary Vela	\$196	PA	
07205	11 P North Manor Estates Apartments	Southwest corner of Mile 10 Rd. and mile 4.5, entrance fronts on mile 10 road.	Weslaco	U/EX	<input type="checkbox"/>	<input type="checkbox"/>	126	130	General	NC	Mike Lopez	\$196	PA	
07226	11 P Candlewick Apartments	1155 Paredes Line Rd.	Brownsville	U/EX	<input type="checkbox"/>	<input checked="" type="checkbox"/>	132	132	General	RH	Saleem Jafar	\$196	REA	

1 = Status of Award Abbreviation: Development Previously Awarded 2007 Housing Tax Credits=A, Pending/Non-Awarded Applications=P
 2 = Allocation Abbreviation: Rural Regional Allocation=R, Urban/Exurban Regional Allocation=U/EX
 3 = Set-Aside Abbreviation: TX-USDA-RHS=USDA, Nonprofit=NP, At-Risk=AR
 4 = Target Population Abbreviation: Intergenerational=Intg, Elderly/Transitional=Eld/Trans
 5 = Housing Activity: Rehabilitation=RH, Reconstruction=RC, New Construction=NC
 6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested
 7 = Notes: 2006 Applications Awarded from the 2007 Ceiling=FWD, 2004 Developments Awarded Binding Allocation Agreements from the 2007 Ceiling=BA, Pending Applications=PA, Terminated Applications=TERM, Withdrawn Applications=WTH, Pending/Active Applications being reviewed by Real Estate Analysis (does not imply a staff recommendation)=REA
 * = The State Credit Ceiling is based on 2007 population figures, plus any returned credits as of the date of this publication from previous awards.

Region 1 File #	Development Name	Address	City	Allocation ²	Set-Asides ³ USDA NP AR	LI Units	Total Target ⁴ Population	Housing Activity ⁵ ACQ	Credit Request ⁶	Owner Contact	TIDHCA HOME Score	Awarded Notes ⁷
07169 11 P	Costa Madera	Poggenpohl St. & San Ignacio Ave.	Laredo	U/EX	<input type="checkbox"/>	140	140 General	NC	\$1,200,000	Abraham Rodriguez	<input type="checkbox"/>	190 PA
				Total:		769	780		\$6,550,942			
				Total:		1,415	1,443		\$7,325,180			
Applications Submitted in Region 11: Rural												
07058 11 A	Vista Hermosa Apartments	820 N. Bibb	Eagle Pass	R	<input checked="" type="checkbox"/>	20	20 General	RH	\$726	Patrick A. Barbolla	<input type="checkbox"/>	300 BA
07063 11 A	Bahia Palms Apartments	1303 Pino Dr.	Laguna Vista	R	<input checked="" type="checkbox"/>	64	64 General	RH	\$4,485	Patrick A. Barbolla	<input type="checkbox"/>	300 BA
07055 11 A	Arbor Cove	2805 Fordyce Ave.	Donna	R	<input type="checkbox"/>	108	120 General	NC	\$83,751	Anita Kegley	<input type="checkbox"/>	300 BA
07035 11 A	Casa Saldana	SW Corner of Mile 8 Rd. & Baseline Rd.	Mercedes	R	<input type="checkbox"/>	156	196 General	NC	\$82,912	Monica Poss	<input type="checkbox"/>	300 BA
				Total:		348	400		\$171,874			
07227 11 P	Champion Home at La Joya	945 S Leo & Various Addresses for Scattered SF Homes	La Joya	R	<input type="checkbox"/>	50	50 General	RC	\$641,374	Saleem Jafar	<input type="checkbox"/>	204 REA
07228 11 P	Las Palmas Homes	213 Orive	Los Fresnos	R	<input type="checkbox"/>	75	75 General	RC	\$600,000	Saleem Jafar	<input type="checkbox"/>	201 REA
07178 11 P	Tammye's Pointe	Old Pioneer Rd. at FM 1021	Eagle Pass	R	<input type="checkbox"/>	76	76 General	NC	\$983,288	Donald Pace	<input type="checkbox"/>	187 REA
07153 11 P	Los Ebanos Apartments	300 Yards S. of 5 Mile Line Rd. on E. Side of Los Ebanos Rd.	Alton	R	<input checked="" type="checkbox"/>	76	76 General	NC	\$847,135	Alyssa Carpenter	<input type="checkbox"/>	179 REA
07302 11 P	Casa Alton	NW Corner Prosper Rd. & Proposed Oxford St.	Alton	R	<input checked="" type="checkbox"/>	74	76 General	NC	\$705,994	Jean Coburn	<input type="checkbox"/>	178 REA
07287 11 P	Buena Vida Apartments	100 S. Kansas City Rd.	La Feria	R	<input checked="" type="checkbox"/>	58	58 Elderly	RH	\$137,560	Dennis Hoover	<input type="checkbox"/>	150 REA
				Total:		409	411		\$3,915,351			
				Total:		757	811		\$4,087,225			
22 Applications in Region				Region Total:		2,172	2,254		\$11,412,405			

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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

December 5, 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: Casa Alton, TDHCA #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 November 21, 2007 regarding the termination of the Application pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Third Party Reports.

The Application was terminated because the Phase I Environmental Site Assessment ("ESA") required pursuant to §49.9(h)(14)(A) of the QAP was not performed for the entire development site. During the Underwriting Evaluation, the Applicant notified Department staff of a change to the location of the proposed development site from what was originally proposed at Application submission. As a result of this change, staff performed a review of the threshold criteria affected by the change and determined that the Application did not meet the minimum threshold requirements under the 2007 QAP.

Pursuant to §49.9(h)(14) of the 2007 QAP, all Applications must include a Phase I ESA report, which "must be submitted on or before 5:00 p.m. CST, April 2, 2007." On October 30, 2007, the Applicant notified Department staff that the development site was being shifted from the location originally identified in the Application. The Phase I ESA submitted by April 2, 2007 did not include the revised development site.

You appealed the termination of the Application based on several assertions: the change in the development site was made in order to address Department concerns related to the development site's location in the flood plain; the proposal for the Phase I ESA from the report preparer was for the entire 20 acre tract of land that included both the original and revised development site; the Phase I ESA that was

submitted to the Department by April 2, 2007 included four of the seven acres contained in the revised development site; the three acres of the revised development site that are not contained in the Phase I ESA are contiguous to the land that the Phase I ESA was performed on and has historically been under the same ownership; it is unlikely that new conditions would be found for the three acres not included in the Phase I ESA that were not originally addressed in the report; a new Phase I ESA had been ordered for the entire 20 acre tract that includes the original and revised development sites as of the date of the appeal; the Application that would be awarded if Casa Alton is not awarded is for a smaller amount of Housing Tax Credits and would result in Region 11 being underserved for the third year in a row; and the Application whose termination allowed Casa Alton to be considered for an award originally was also proposed to be located in Alton; therefore an award to Casa Alton would allow housing to be built in Alton, as originally recommended by Department staff at the July 31, 2007 Board meeting.

All Applicants are responsible for their choices regarding changes to the application. Further, the Applicant is responsible for compliance with the requirements of the QAP. Although the initial proposal for the Phase I ESA was for the entire 20 acre tract, the final report submitted in order to meet the requirements of the QAP did not include the revised development site. The Department relies on the investigations performed by the preparer of the Phase I ESA and does not use the report to make assumptions about any land not evaluated in the report. In addition,, the possible reallocation of Housing Tax Credits in Region 11 is not relevant to the fact that the you did not meet the threshold requirements in the QAP related to the Phase I ESA.

§49.9(h)(14)(G)(ii) of the QAP explicitly states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007... Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration. (emphasis added)

A Phase I ESA containing the development site, as revised on October 30, 2007 was not submitted by April 2, 2007. Rather, a Phase I ESA for the development site was submitted on November 29, 2007, almost eight months after the deadline required by the QAP. Therefore, because a Phase I ESA Report containing the proposed development site, as revised October 30, 2007, was not submitted by April 2, 2007, as required by §49.9(h)(14)(G)(ii), the Application was terminated.

Appeal Determination

Your appeal is denied.

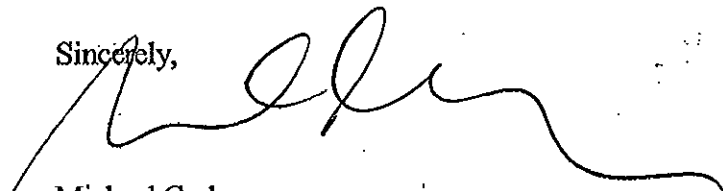
Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the December 20, 2007 Board meeting. Board appeal documentation must be submitted by 5:00 p.m., Tuesday, December 11, 2007 to be placed with the December 20, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be

Ms. Coburn
December 5, 2007
Page 3 of 3

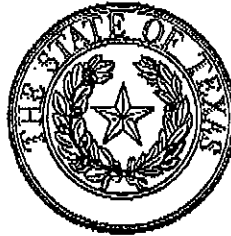
utilized. Please fill out and return the attached 2007 Housing Tax Credit Appeal Election Form to indicate your decision whether to appeal to the Board.

If you have questions or comments, please contact Multifamily staff at (512) 475-3340.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Gerber", written over a horizontal line.

Michael Gerber
Executive Director



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

REAL ESTATE ANALYSIS
Housing Tax Credit Program – 2007 Application Cycle
Underwriting Report Notice

Fortuna Enterprises
 Jean Coburn
 500 San Marcos, Ste 207
 Austin, TX 78702
 Phone #: 512.474.5003
 Fax #: 512.474.5010

Date Issued: 12/10/07

THIS NOTICE WILL
 ONLY BE TRANSMITTED
 BY FACSIMILE

RE: 2007 HTC Application for Casa Alton
 TDHCA Number: 07302

Attention: Jean Coburn

The Texas Department of Housing and Community Affairs (the Department) has completed its Financial Feasibility Review and Underwriting Report of the above-referenced application as further described in Section 49.9(d)(6) of the 2007 Qualified Allocation Plan and Rules and 10TAC Section 1.32 and has, as of the date of this notice, posted the entire report on the Department's web site at www.tdhca.state.tx.us/REA for your review. The following is a summary of the report's recommendations and conditions:

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$705,994			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:
 The Applicant did not submit a Phase I ESA which encompassed the proposed revised site by the original deadline required by §49.9(h)(13)(G)(II) of the 2007 QAP.
 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:

07302

Casa Alton

12/10/07

CONDITIONS

- 1 A 9% Housing tax credit allocation not to exceed \$691,032
- 2 Receipt, review, and acceptance, by carryover, of documentation that USDA-RD has received a full application for the Applicant's proposed USDA-RD Section 508 financing.
- 3 Receipt, review, and acceptance, by 10% test, of documentation that the lender will not require reserve for replacements of greater than \$250 per unit per year or subsequent waiver by the Board of the 65% expense to income ratio.
- 4 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and subsequent environmental report recommendations have been carried out, including proper excavation and disposal of waste and exploratory trenching and/or geophysical evaluation.
- 5 Receipt, review, and acceptance, by cost certification, of documentation that the buildings and drives are entirely outside of the floodplain or evidence that the development meets the 2007 QAP §49.6(a) requirements for developments located within the 100 year floodplain.
- 6 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.

A formal Appeals Policy exists for the HTC Program. If you wish to appeal the Underwriting Criteria or recommended amount of award, you must file your appeal within Section 49.17(b) of the 2007 QAP. Please note, however, to have your credit amount adjusted, the Board must hear your appeal at the December 20, 2007 meeting.

In an effort to track the number of anticipated appeals for the upcoming Board meetings, the Department has provided the attached form for all applicants receiving an underwriting report notice. We ask that you indicate your preferences and sign and return your notice as soon as possible. In the event your first appeal is denied by the Executive Director, the form will provide us with advance notice that you wish to automatically be added to the Board agenda for your second appeal. Note that the completion of the form will add the applicant to the agenda, but that the actual appeal to the Board must be received by the Department by deadlines proscribed in the QAP. All Underwriting Report appeals should be submitted to the attention of Pam Cloyde in the Real Estate Analysis Division.

If you have any concerns regarding this notice, please feel free to contact Pam Cloyde or me by facsimile (512.475.3746) or e-mail to pamela.cloyde@tdhca.state.tx.us or tom.gouris@tdhca.state.tx.us.

Sincerely,

Tom Gouris

Tom Gouris
Director, Real Estate Analysis



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

REPORT DATE: 12/07/07 PROGRAM: 9% HTC FILE NUMBER: 07302

DEVELOPMENT	
Casa Alton	
Location: Northwest corner of Trospen Road and proposed Oxford Street	Region: 11
City: Alton County: Hidalgo Zip: 78573	<input checked="" type="checkbox"/> QCT <input type="checkbox"/> DDA
Key Attributes: Multifamily, Family, Rural, USDA-RD, New Construction	

ALLOCATION						
TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$705,994			\$0		

NOT RECOMMENDED DUE TO THE FOLLOWING:
 The Applicant did not submit a Phase I ESA which encompassed the proposed revised site by the original deadline required by §49.9(h)(13)(G)(II) of the 2007 QAP.
 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:

- CONDITIONS**
- 1 A 9% Housing tax credit allocation not to exceed \$691,032
 - 2 Receipt, review, and acceptance, by carryover, of documentation that USDA-RD has received a full application for the Applicant's proposed USDA-RD Section 538 financing.
 - 3 Receipt, review, and acceptance, by 10% test, of documentation that the lender will not require reserve for replacements of greater than \$250 per unit per year or subsequent waiver by the Board of the 65% expense to income ratio.
 - 4 Receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and subsequent environmental report recommendations have been carried out, including proper excavation and disposal of waste and exploratory trenching and/or geophysical evaluation.
 - 5 Receipt, review, and acceptance, by cost certification, of documentation that the buildings and drives are entirely outside of the floodplain or evidence that the development meets the 2007 QAP §49.6(a) requirements for developments located within the 100 year floodplain.
 - 6 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	10
40% of AMI	40% of AMI	10
50% of AMI	50% of AMI	17
60% of AMI	60% of AMI	36

PROS

- The application utilizes the combination of tax credits and USDA 538 financing to deep rent target with 37 of the 76 units targeting households within incomes below 60% of AMI.

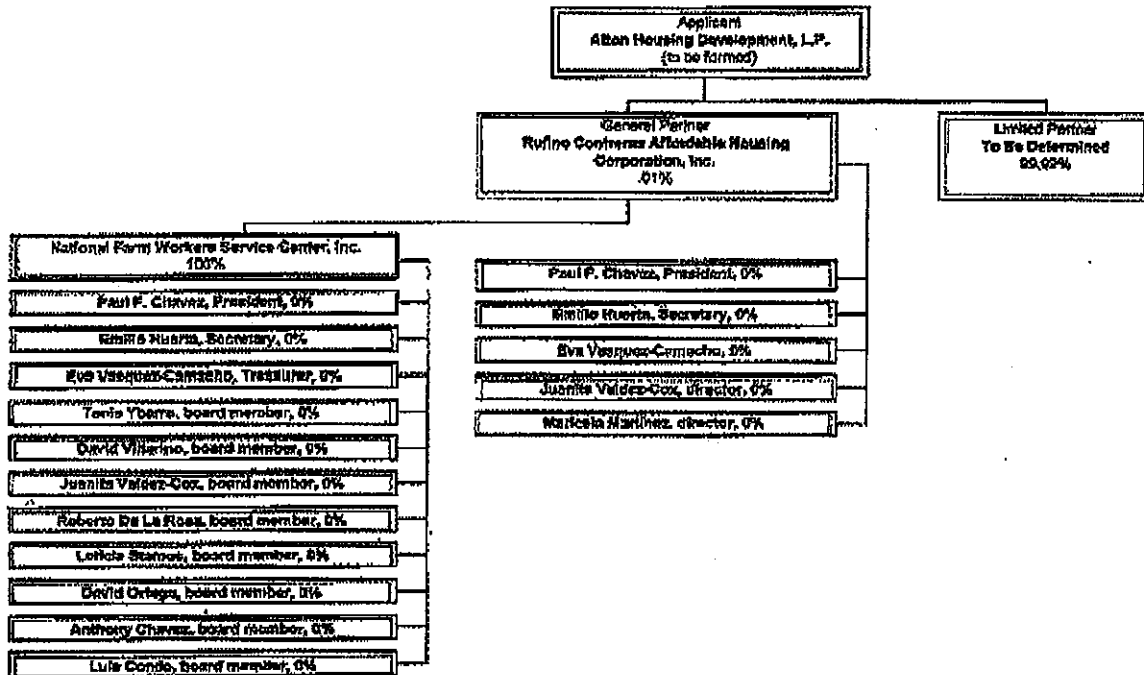
CONS

- The Underwriter's expense to income ratio is within 1% of the 65% maximum and the Applicant's expense to income ratio exceeds the 65% maximum.
- The significant changes to the site and building plans after application was made raises questions about the Applicant's readiness to proceed with the proposed development.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM OWNERSHIP STRUCTURE



CONTACT

Contact: Jean Coburn Phone: 512.474.5003 Fax: 512.474.5010
 Email: jcoburn@nfwscmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# of Complete Developments
Rufino Conteras Affordab	(\$1,448,804)	(\$751,606)	N/A
National Farm Workers S	\$31,682,871	\$4,189,442	N/A
Paul F Chavez	Confidential		5 LIHTC Developments In Texas

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

▪ The Applicant, Developer, General Contractor, Architect, property manager, and supportive service provider are related entities.

PROPOSED SITE
REVISED SITE PLAN

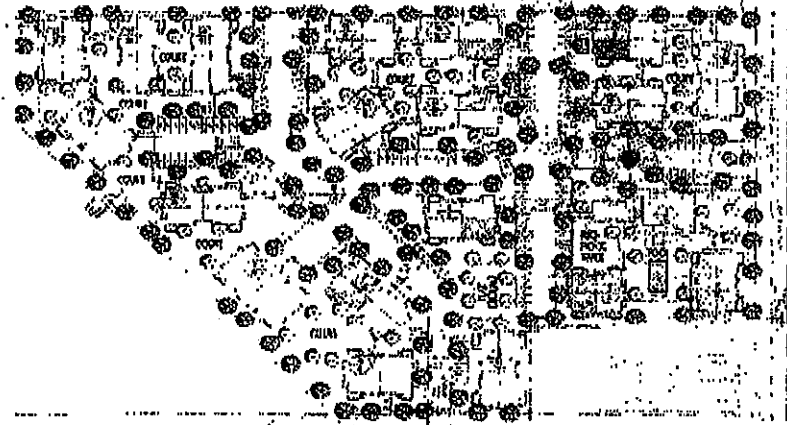
REVISED BUILDING CONFIGURATION

Building Type	I	II	III	IV	V					Total Buildings
Floors/Stories	1	1	1	2	2					
Number	1	3	1	3	4					12

BR/BA	SF	Units						Total Units	Total SF
1/1	750	4						4	3,000
2/2	947		4		8			36	34,092
3/2	1,067					8		32	34,144
4/2	1,251			4				4	5,004
Units per Building		4	4	4	8	8		76	76,240

This section intentionally left blank.

ORIGINAL SITE PLAN

**Development Plan:**

The Applicant originally proposed 76 units in 19 one-story four-plex buildings to be located on an 8.5 acre portion of a 19.99 acre tract currently under contract. The site plan reflects that a significant portion of the 8.5 acre site is located within the 100 year floodplain. Based on the outcome of a competing development in Alton and its denial of funding from USDA because of its location in the flood plain, the Applicant expressed concerns that the USDA would not approve the 538 funding if the original site was pursued. On October 30, 2007 the Applicant submitted documentation that reconfigures the site and buildings in order to remove the structures and paved drives from the 100 year floodplain and results in the development of a 6.99 acre site which partially includes the original site but also includes 3+ acres that were not originally contemplated as part of the site. The site plan shift is shown in the above architectural drawings.

The revised site reflects all buildings and drives located outside of the 100 year floodplain. Due to the reconfiguration and decrease in the size of the site, the Applicant has also revised the building plans. The revised plans include 7 two-story buildings with 8 units each instead of the original all one-story fourplex buildings. Despite the reconfiguration of the building plans, the unit sizes and unit mix remains unchanged from those proposed at application. Additionally, the Applicant has indicated that the construction costs will not change as a result of the revisions. The Underwriter has fully evaluated the transaction based on the revisions to the site and buildings.

As a result of the changes, the Phase I ESA was reviewed to ensure that the report included the new area encompassed by the revised site and to confirm the lack of flood plain or other potential environmental hazards on the new site. The Underwriter found that the ESA was not completed for the entire 20 acre site but only the portion of the site that was originally planned to be developed. The new/revised site was not evaluated by the ESA provider. Pursuant to §49.9(h)(13)(G)(II) of the 2007 QAP the Phase I ESA for the site must be provided to the Department by 5:00pm on April 2, 2007. Due to the failure to provide an ESA evaluating the entire site, the application has been terminated and is currently pending appeal. The underwriting report has been completed as a result of the Applicant's appeal of the termination and due to the compressed timeframe under which the remaining funds must be allocated and carryover must be met.

The Applicant provided a new Phase I ESA encompassing the entire 20 acres being purchased on November 29, 2007. This Phase I ESA has now been fully reviewed and incorporated into this underwriting report for the Board's consideration should the waiver of the original deadline be granted. The conclusions of the new report are discussed below and this report has been conditioned upon the Applicant's satisfaction of the new Phase I ESA report recommendations.

SITE ISSUES

Total Size:	<u>6.99</u> acres	Scattered site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>Zones X & A</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Zoning:	<u>R-3</u>	Needs to be re-zoned?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> N/A

Comments:

Floodplain: As indicated above, a significant portion of the original site proposed residential buildings to be within the 100 year flood zone (Zone AH). The Applicant has since submitted a revised site plan in which all of the residential buildings appear to be located outside of the floodplain. However, a portion of the floodplain still appears to be used to meet the building setback requirements and an area labeled as "Court". Therefore, while it appears to be the intention of the Applicant to develop all of the buildings and paved drives outside of the floodplain, it is not clear that the portion of the site along the west boundary which is within the floodplain meets this objective. Receipt, review, and acceptance, by cost certification, of documentation that the buildings and drives are entirely outside of the floodplain or evidence that the development meets the 2007 QAP requirements for developments located within the 100 year floodplain is a condition of this report.

According to the 2007 QAP §49.6(a) "Floodplain. Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction."

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/17/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: vacant land
 South: unpaved roadway (proposed Oxford Street) /residential
 East: Trooper Road / residential / Public Utility Lift Station beyond
 West: vacant land / two retention ponds / citrus cropland beyond

Comments:

The site inspector noted, "Although the site location is close to local schools, I have a concern for the location in an isolated area with inadequate roads and run-down properties adjacent to site."

The Phase I ESA indicates that a dedicated paved roadway (Oxford St) is planned along the south boundary of the site (p. 8). However, the roadway is currently an unpaved dirt road. The Applicant's original site plan included an access drive from this dirt road. However, the revised siteplan does not require use of this unpaved roadway to gain access to the site.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba-Kistner Consultants, Inc

Date: 11/30/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- No recognized environmental concerns identified for the original site.

Comments:

The Phase I ESA submitted at application evaluates a 9.5 acre portion of the 20 acre tract under contract. The portion that is evaluated fully encompasses the Applicant's original 8.5 acre site. A majority of this original site lies within the 100 year floodplain. During underwriting the Applicant became aware that approval of the USDA 538 funds may be in jeopardy due to the plan to construct within the floodplain. As a result, the Applicant has chosen to reconfigure the site. A large portion of the revised 6.99 acre site was not evaluated in the Phase I ESA submitted at application.

As such, the submission of an acceptable Phase I ESA for the revised site was not provided by the deadline for third-party reports and the subject application was terminated accordingly. The Applicant has appealed to the Board for consideration and a waiver of the deadline. The application is not recommended for funding in accordance with §49.9(h)(13)(G)(ii) of the 2007 QAP.

A new Phase I ESA incorporating the entire 20 acre site was provided subsequent to the termination of the application for consideration as part of the Applicant's appeal of this issue. The new Phase I ESA has been fully reviewed and comes to the same conclusions as the original Phase I report except for a recommendation regarding scattered and buried waste at the site. The new Phase I ESA reflects the following recommendations:

- "It is recommended that all waste located on the west SITE grounds be disposed of at a permitted landfill facility" (p. 2).
- "It is recommended that all buried waste located on the northwest SITE grounds be excavated and disposed of at a State permitted landfill and exploratory trenching and/or geophysical evaluation be performed throughout the SITE in order to determine if any additional areas have been subject to unauthorized waste disposal activity in the past. Moreover, should the discovery of additional waste reveal the presence of hazardous materials and/or petroleum products, environmental sampling should be conducted to determine if subsurface features (i.e., soils and groundwater) have been impacted as a result of unauthorized waste disposal" (p. 2).

Should the Board choose to make an award, receipt, review, and acceptance, by cost certification, of evidence that all Phase I ESA and subsequent environmental report recommendations have been carried out, including proper excavation and disposal of waste and exploratory trenching and/or geophysical evaluation, is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData

Date: 3/10/2007

Contact: Darrell Jack

Phone: 210.530.0040

Fax: 210.340.5830

Number of Revisions: 0

Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

The boundaries of the Primary Market Area are as follows: (p. 3)

North: E University Dr

East: N Taylor Rd

South: Hwy 83

West: E Goodwin Rd

Secondary Market Area (SMA):

The Market Analyst did not identify a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
La Villa de Alton	060095	76	76	N/A			
Los Ebanos Apartments	07153	76	0	N/A			

Comments

Subsequent to the July 30, 2007 Board meeting, Los Ebanos Apartments (07153) was unable to satisfy the flood plain requirements for the USDA and therefore was removed from the 2007 9% HTC award list. The market study for the subject development did not include Los Ebanos Apartments as an unstabilized comparable development. Therefore, no adjustment to the number of unstabilized comparable units within the PMA is necessary. It should be noted, however, that the Underwriter is concerned about the potential for oversaturation within this market if the Applicant for Los Ebanos Apartments makes application during the 2008 cycle for 76 additional units within Alton.

INCOME LIMITS						
Hidalgo						
% 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							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	78	4	0	82	1	2	4%
1 BR/ 40% Rent Limit	44	3	0	47	1	0	2%
1 BR/ 50% Rent Limit	54	4	0	58	1	0	2%
1 BR/ 60% Rent Limit	63	4	0	67	1	18	28%
2 BR/ 30% Rent Limit	50	2	0	52	5	3	16%
2 BR/ 40% Rent Limit	66	2	0	68	5	0	7%
2 BR/ 50% Rent Limit	82	3	0	85	8	0	9%
2 BR/ 60% Rent Limit	65	5	0	70	16	28	63%
3 BR/ 30% Rent Limit	58	2	0	60	3	3	10%
3 BR/ 40% Rent Limit	78	3	0	80	3	0	4%
3 BR/ 50% Rent Limit	50	3	0	53	7	0	13%
3 BR/ 60% Rent Limit	46	4	0	50	18	22	80%
4 BR/ 30% Rent Limit	42	2	0	44	1	0	2%
4 BR/ 40% Rent Limit	56	2	0	58	1	0	2%
4 BR/ 50% Rent Limit	29	2	0	31	1	0	3%
4 BR/ 60% Rent Limit	34	3	0	37	1	0	3%

OVERALL DEMAND								
	Target Households	Household Size	Income Eligible	Tenure	Demand			
PMA DEMAND from TURNOVER								
Market Analyst p. 58	100% 27,399	95% 25,448	11% 2,789	100% 2,789	65% 1,799			
Underwriter	100% 28,315	95% 26,299	32% 9,230	29% 2,709	65% 1,747			

PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst	p. 58		93%	1,267	11%	141	100%	141	45%	91
Underwriter			93%	894	33%	291	29%	86	100%	86

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. 59	73	76	0	149	1,891	7.88%
Underwriter		73	76	0	149	1,833	8.13%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 96.4% as a stable demand. According to the household growth and employment growth methodologies, the forecast demand for new rental apartment units is considered to be growing" (p. 11).

"The occupancy rate for the income restricted one bedrooms is 100%, for income restricted two bedrooms it is 95.5%, for the income restricted three bedroom units is 97.2%, for the income restricted four bedroom units is 100%, and the overall average occupancy for income restricted units is 97.5%" (p. 14).

Absorption Projections:

"Within the PMA, there has only been one "affordable" family rental project built within recent times. Pueblo de Paz is a 200 unit project, which began leasing in December 2003. The site reports that it reached a stabilized occupancy of 90% by August 2004 and is currently 95% occupied" (p. 13).

"Absorption over the previous sixteen years for all unit types is estimated to be 56 units per year. We expect new units to be absorbed as the number of new household continues to grow" (p. 11).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 750 SF 30%	\$194	\$198	\$615	\$198	\$417	
1 BR 750 SF 40%	\$275	\$279	\$615	\$279	\$336	
1 BR 750 SF 50%	\$356	\$360	\$615	\$360	\$255	
1 BR 750 SF 60%	\$437	\$441	\$615	\$441	\$174	
2 BR 947 SF 30%	\$233	\$234	\$720	\$234	\$486	
2 BR 947 SF 40%	\$330	\$331	\$720	\$331	\$389	
2 BR 947 SF 50%	\$427	\$428	\$720	\$428	\$292	
2 BR 947 SF 60%	\$524	\$525	\$720	\$525	\$195	
2 BR 947 SF MR	\$635		\$720	\$635	\$85	
2 BR 947 SF EO	\$635		\$720	\$635	\$85	
3 BR 1,067 SF 30%	\$266	\$266	\$805	\$266	\$539	
3 BR 1,067 SF 40%	\$378	\$378	\$805	\$378	\$427	
3 BR 1,067 SF 50%	\$490	\$490	\$805	\$490	\$315	
3 BR 1,067 SF 60%	\$602	\$602	\$805	\$602	\$203	
3 BR 1,067 SF MR	\$761		\$805	\$761	\$44	
4 BR 1,251 SF 30%	\$293	\$293	\$925	\$293	\$632	
4 BR 1,251 SF 40%	\$418	\$418	\$925	\$418	\$507	
4 BR 1,251 SF 50%	\$543	\$543	\$925	\$543	\$382	
4 BR 1,251 SF 60%	\$668	\$668	\$925	\$668	\$257	

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Market Impact:

"In the neighborhood is a mix of uses, but primarily vacant tracts of land and single family homes. Due to the surrounding development and use, the analyst feels that there would be minimal social resistance to developing the subject site as apartments. An apartment development would also help with labor support for retail and industrial development in the immediate area, and would not significantly impact neighborhood single-family housing. In fact, an apartment development would have less of an impact on the existing housing than most other development types present in the sub-market" (p. 107).

Comments:

The market study provided 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 projected net rents are the 2007 program maximum rents less the utility allowances maintained by the Housing Authority of the County of Hidalgo (HACH). The Underwriter used utility allowances from HACH that the Department received on February 10, 2006 and appear to be more current than those used by the Applicant. The Underwriter requested updated utility allowances for 2007; however, a response from HACH was never received. The maximum net program rents are achievable according to the Market Analyst. The Underwriter's use of the updated program rents results in a \$30K difference in potential gross rent. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. Despite the difference in net rents, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be responsible for electric and gas utility costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

The Applicant's total operating expense estimate of \$3,848 per unit is not within 5% of the Underwriter's estimate of \$3,472 per unit derived from the TDHCA database, IREM data, and other sources. Specifically, the Applicant's estimates of payroll and payroll tax and water, sewer and trash are each significantly different than the Underwriter's estimates.

The General Partner of the Applicant qualifies as a CHDO, and the Applicant's property tax estimate reflects a 50% CHDO tax abatement. The Underwriter's property tax estimate also reflects a 50% tax abatement due to the organizational structure with CHDO involvement.

Additionally, the Applicant and Underwriter have used the Department's minimum reserve for replacements of \$250 per unit per year for new construction. However, USDA 538 funded properties have been required by the lender to accumulate a reserve for replacements balance of \$1,000 per unit after three years. This could require a minimum reserve for replacements of \$333 per unit per year for at least the first three years, which would push the Underwriter's expense to income ratio above the 65% maximum. Therefore, receipt, review, and acceptance, by 10% test, of documentation that the lender will not require reserve for replacements of greater than \$250 per unit per year or Board waiver of the 65% expense to income ratio is a condition of this report.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR above the Department's current maximum of 1.35. Therefore, the recommended financing structure reflects an increase in the permanent debt based on the market 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).

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Of note, the Applicant's Year One proforma results in an expense to income ratio above the current 65% maximum per § 1.32(f)(4) of the 2007 Real Estate Analysis Rules and Guidelines. Therefore, if the Applicant's proforma was used in the final analysis, the application would not be recommended for funding. However, the Underwriter's proforma is used and reflects an expense to income of 64.23%, which is slightly below the threshold.

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 were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 20 acres	\$137,420	Tax Year:	2006
One Acre:	\$6,874	Valuation by:	Hidalgo CAD
Prorata Value: 6.99 acres	\$48,052	Tax Rate:	2.7093

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract and Amendments Acreage: 19.99

Contract Expiration: 9/28/2007 Valid Through Board Date? Yes No

Acquisition Cost: \$439,780 Other: \$22,000 per acre

Seller: Carlos L Guerra & Eugenio Botello Related to Development Team? Yes No

Comments:

The Contract indicates three extension fees were required in order to extend the contract beyond the TDHCA Board date; a fourth extension required closing on or before September 28, 2007. Additional extension fees have been paid to extend the site control through November 28, 2007. The Contract indicates that the first three extension fees will not be credited toward the purchase price. As a result, the total purchase price is \$15,000 higher than the contract price.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/23/2007

Acquisition Value:

The Applicant has provided an Unimproved Property Contract for 19.99 acres indicating a price of \$22,000 per acre. The proposed development as revised will occupied 6.99 acres, and the Applicant has estimated a prorata acquisition value of \$154,000 plus \$15,000 in extension fees and \$5,000 in closing costs. The contract clearly indicates that three of the extension fees will not be credited toward the purchase price. Additional extension fees have been paid to extend the site control through November 28, 2007; although these fees will be credit toward the purchase price. The Underwriter has used a prorata land value of \$187,000 plus a prorata value of \$5,245 for the three \$5,000 extension fees and \$5,000 in closing costs for a total acquisition cost of \$164,025.

Should the Applicant's development cost schedule ultimately be used to determine the gap in funds, the recommended financing structure will reflect a reduction by the difference in acquisition costs in order to prevent funding the overstated acquisition cost with tax credits.

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Off-Site Cost:

The Applicant claimed off-site costs of \$150,000 for extension of an 8-inch waterline, easement acquisition, and acquisition of water rights for 15 acre-feet and provided sufficient third party certification through a professional engineer to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$8,000 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 \$83K or 2% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant has indicated that the first floor units will have 100% ceramic tile flooring with a significantly higher flooring cost than what is typical for similar developments. Therefore, the Underwriter's cost estimate assumes an additional \$400K for ceramic tile flooring for these units. An adjustment to the credit amount may be necessary if ceramic flooring is not provided.

Contingency & Fees:

The Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$26,925, 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 \$6,616,910 supports annual tax credits of \$715,857. 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: 4/26/2007

Source: Bank of America Type: Interim Financing

Principal: \$1,700,000 Interest Rate: 7.32% Fixed Term: 24 months

Comments:

The interest rate will be equal to the 30-day LIBOR plus 200 basis points, which is estimated by the lender to be 7.32%.

Source: County of Hidalgo (Not Received) Type: Interim Financing

Principal: \$400,000 Interest Rate: 4.9% Fixed Term: 12 months

Comments:

The Applicant indicated their intent to apply to the County of Hidalgo for a construction loan at AFR and a minimum 12 month term. Subsequently, the Applicant confirmed that this source of funds was not received. However, based on the sources and uses of funds, the Applicant has sufficient developer fee to defer during construction to fill the \$400K gap in funds.

Source: Lancaster-Pollard (USDA-RD Section 538) Type: Permanent Financing

Principal: \$1,400,000 Interest Rate: 4.9% Fixed Amort: 360 months

Comments:

The Lancaster-Pollard commitment indicates the permanent first lien mortgage will be a Section 538 USDA-RD loan. The loan will carry a fixed rate of 7.25% with interest rate credit to bring the rate down to the Applicable Federal Rate (AFR), estimated by the lender to be 4.9%. The loan will require a guarantee fee of \$35,000 and a mortgage fee of 0.5% of the outstanding debt amount payable monthly.

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The commitment indicates that the interest rate credit will only be available on an amount up to \$1,500,000. However, the interest rate on the 538 financing is below what can be achieved in the conventional market. If the Applicant has to seek additional debt from a non-USDA 538 source, the debt will likely carry a market rate. Therefore, the additional debt reflected in the recommended financing structure has been underwritten at a fixed market interest rate of 7.25%.

Source: CharterMac Capital Type: Syndication
Proceeds: \$6,142,000 Syndication Rate: 87% Anticipated HTC: \$ 705,994
Comments:

The syndication rate is on the low end of current credit prices. Any increase in the credit pricing would increase the equity contribution and warrant a comparable reduction in the tax credit recommendation.

Amount: \$61,894 Type: Deferred Developer Fees

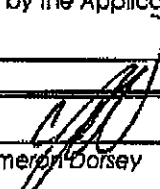
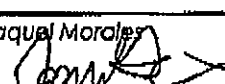
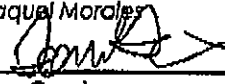
CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent debt by \$151,500 for a total of \$1,551,500. As a result the development's gap in financing will decrease. As indicated above, the additional debt has been underwritten at a market interest rate of 7.25% because the below market USDA 538 loan may be limited to \$1,400,000 as indicated by the Applicant.

The Applicant's total development cost estimate less the adjusted permanent debt of \$1,551,500 indicates the need for \$6,011,834 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$691,032 annually would be required to fill this gap in financing. Should the Board choose to make an award, of the three possible tax credit allocations, Applicant's request (\$705,994), the gap-driven amount (\$691,032), and eligible basis-derived estimate (\$715,857), the gap-driven amount of \$691,032 is recommended resulting in proceeds of \$6,011,834 based on a syndication rate of 87%.

The Underwriter's recommended financing structure indicates no need for deferred developer fees. However, should the Applicant choose to defer developer fee rather than increase the permanent debt by \$151,500 (as indicated above), this amount of deferred developer fee is projected to be repayable within three years of stabilized operation. Moreover, this amount of deferred developer fee is \$90K more than originally anticipated by the Applicant.

Underwriter:	 Cameron Dorsey	Date:	<u>12/7/2007</u>
Reviewing Underwriter:	 Raquel Morales	Date:	<u>12/7/2007</u>
Director of Real Estate Analysis:	 Tom Gouris	Date:	<u>12/7/2007</u>

MULTI-FAMILY COMPARATIVE ANALYSIS

Case Alton, Alton, 8% HTC #07302

Type of Unit	Number	Bedrooms	No. of Bath	Size in Sq Ft	Grass Rent Limit	Rent Offered	Rent per Month	Rent per SF	Yield %	Yield
TC 40%	1	1	1	750	\$242	\$198	\$198	\$0.26	34.43	\$15.20
TC 40%	1	1	1	750	\$323	\$278	\$278	0.37	44.13	18.20
TC 60%	1	1	1	750	\$404	360	360	0.48	44.13	15.20
TC 60%	1	1	1	750	\$485	441	441	0.59	44.13	16.20
TC 30%	5	2	2	947	\$291	334	1,172	0.25	55.59	19.29
TC 40%	5	2	2	947	\$308	331	1,657	0.35	55.59	19.29
TC 60%	8	2	2	947	\$485	428	3,428	0.45	55.59	19.29
TC 60%	10	2	2	947	\$582	528	5,407	0.55	55.59	19.29
MR	1	2	2	947		635	635	0.67	55.59	19.29
BO	1	2	2	947		635	635	0.67	55.59	19.29
TC 30%	3	3	2	1,067	\$339	289	789	0.25	69.77	20.68
TC 40%	3	3	2	1,067	\$448	379	1,135	0.35	69.77	20.68
TC 50%	7	3	2	1,067	\$560	490	3,432	0.46	69.77	20.68
TC 60%	10	3	2	1,067	\$672	602	10,540	0.56	69.77	20.68
MR	1	3	2	1,067		761	761	0.71	69.77	20.68
TC 30%	1	4	2	1,261	\$375	293	293	0.23	82.15	24.66
TC 40%	1	4	2	1,261	\$500	416	416	0.33	82.15	24.66
TC 50%	1	4	2	1,261	\$625	543	543	0.43	82.15	24.66
TC 60%	1	4	2	1,261	\$750	660	660	0.53	82.15	24.66
TOTAL	78		AVERAGE	1,033		\$473	\$39,098	\$0.47	62.81	\$16.52

INCOME Total Net Rentable Sq Ft **78,340**

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month	\$11.07	
Other Support Income:			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income	-7.50%	
Employee or Other Non-Rent Unit or Concessions			
EFFECTIVE GROSS INCOME			

TDHCA	APPLICANT
\$433,188	\$432,132
10,920	10,920
0	456
\$444,108	\$443,508
(33,308)	(33,264)
0	0
\$410,800	\$410,244

COUNTY	ESTABLISHMENT	CONFL REGION
Hidalgo		11
\$11.07	Per Unit Per Month	
\$0.61	Per Unit Per Month	
-7.50%	% of Potential Gross Income	

EXPENSES	% OF GROSS	PER UNIT	PER SF FT
General & Administrative	7.58%	\$410	0.41
Management	9.00%	270	0.37
Payroll & Payroll Tax	18.19%	670	0.67
Repairs & Maintenance	8.10%	438	0.46
Utilities	3.49%	168	0.18
Water, Sewer, & Trash	7.30%	309	0.32
Property Insurance	6.50%	351	0.35
Property Tax	2.70%	217	0.22
Reserve for Repairs	4.63%	230	0.25
TDHCA Compliance Fees	0.71%	35	0.04
Supp Serv, Sec, USDA Mort Fee	0.82%	45	0.04
TOTAL EXPENSES	64.22%	\$3,474	\$3.48

TDHCA	APPLICANT
\$31,131	\$31,260
20,640	20,512
68,500	61,050
33,270	34,200
14,322	13,600
29,581	39,000
26,664	30,000
18,473	17,338
19,000	19,000
2,920	2,920
3,400	3,400
\$263,321	\$292,431

PER UNIT	PER SF FT	% OF GROSS
\$0.41	\$411	7.02%
0.27	270	6.00%
1.00	1,064	16.74%
0.49	450	8.34%
0.18	162	3.28%
0.31	313	6.51%
0.28	290	7.31%
0.23	228	4.23%
0.25	260	4.63%
0.04	38	0.71%
0.04	45	0.82%
\$3.48	\$3,468	71.27%

NET OPERATING INC	PER UNIT	PER SF FT
38.76%	\$1,834	\$1.82

TDHCA	APPLICANT
\$148,978	\$117,813

PER UNIT	PER SF FT	% OF GROSS
\$1.55	\$1,050	20.72%

DEBT SERVICE

Lancaster-Pollard (w/10% credit)	21.70%	\$1,173	\$1.17
USDA Mort Fee	1.69%	91	\$0.09
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	12.31%	\$880	\$0.87

TDHCA	APPLICANT
\$89,162	\$89,162
6,952	6,943
0	0
\$90,988	\$21,708

PER UNIT	PER SF FT	% OF GROSS
\$1.17	\$1,173	21.70%
\$0.09	91	1.69%
\$0.00	0	0.00%
\$0.28	\$203	3.28%

AGGREGATE DEBT COVERAGE RATIO	RECOMMENDED DEBT COVERAGE RATIO
1.53	1.23

CONSTRUCTION COST	TDHCA	APPLICANT
Acquisition Cost (net of bldg)	\$184,025	\$174,000
Off-Sites	150,000	150,000
Sitework	608,000	608,000
Direct Construction	3,651,876	3,735,000
Contingency	41,875	41,875
Contractor's Fees	606,383	608,020
Indirect Construction	676,800	576,900
Ineligible Costs	413,642	413,642
Developer's Fees	868,851	890,000
Interim Financing	182,040	182,040
Reserves	167,098	181,832
TOTAL COST	\$7,292,839	\$7,673,309

PER UNIT	PER SF FT	% OF GROSS
\$2.22	\$2,159	2.30%
1.97	1,874	1.99%
7.97	6,900	8.03%
48.90	46,145	49.92%
0.81	651	0.55%
7.80	6,900	8.03%
7.59	7,617	7.84%
3.43	4,443	3.49%
11.67	11,711	11.70%
2.39	2,305	2.40%
2.02	2,324	2.58%
\$72.24	\$59,848	100.00%

SOURCES OF FUNDS	PER UNIT	PER SF FT	
Lancaster-Pollard (w/10% credit)	19.94%	\$18,421	\$18.86
Lancaster-Pollard (w/o rate credit)	0.00%	\$0	\$0.00
Charter/Asc Syndication	83.00%	\$80,816	\$80.56
Deferred Developer Fees	0.84%	\$0.81	\$0.81
Additional (Excess) Funds Req'd	-2.42%	(\$2,710)	(\$2.71)
TOTAL SOURCES			

TDHCA	APPLICANT
\$1,400,000	\$1,400,000
0	0
6,142,000	6,142,000
61,694	61,694
(211,253)	(30,586)
\$7,392,639	\$7,673,309

RECOMMENDED	10-Yr Cumulative Cash Flow
Developer Fee Available	\$863,075
% of Dev. Fee Distorted	0%
10-Yr Cumulative Cash Flow	\$763,824



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Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

November 5, 2007

Monica Poss
National Farm Workers Service Center
908 East 5th Street, Ste 201
Austin, Texas 78702

Re: Application for 2007 9% Housing Tax Credits for Casa Alton (TDHCA #07302)

Ms. Poss:

As discussed today, Monday November 5, 2007, please provide any additional information to support the submission of a Phase I ESA for the proposed revised site by April 2, 2007 in accordance with the 2007 QAP §49.9(h)(14)(G)(ii), which states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

If such documentation cannot be provided as suggested by phone, the subject application may be terminated pursuant to the above stated guideline.

Please respond by 4:00pm on Tuesday November 13, 2007 to allow for timely completion of our review. If you have any questions you may contact me at 512.475.2691.

Sincerely,

Cameron Dorsey
Real Estate Analysis

07302

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Norberto Salinas

December 5, 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: Casa Alton, TDHCA #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 November 21, 2007 regarding the termination of the Application pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Third Party Reports.

The Application was terminated because the Phase I Environmental Site Assessment ("ESA") required pursuant to §49.9(h)(14)(A) of the QAP was not performed for the entire development site. During the Underwriting Evaluation, the Applicant notified Department staff of a change to the location of the proposed development site from what was originally proposed at Application submission. As a result of this change, staff performed a review of the threshold criteria affected by the change and determined that the Application did not meet the minimum threshold requirements under the 2007 QAP.

Pursuant to §49.9(h)(14) of the 2007 QAP, all Applications must include a Phase I ESA report, which "must be submitted on or before 5:00 p.m. CST, April 2, 2007." On October 30, 2007, the Applicant notified Department staff that the development site was being shifted from the location originally identified in the Application. The Phase I ESA submitted by April 2, 2007 did not include the revised development site.

You appealed the termination of the Application based on several assertions: the change in the development site was made in order to address Department concerns related to the development site's location in the flood plain; the proposal for the Phase I ESA from the report preparer was for the entire 20 acre tract of land that included both the original and revised development site; the Phase I ESA that was

submitted to the Department by April 2, 2007 included four of the seven acres contained in the revised development site; the three acres of the revised development site that are not contained in the Phase I ESA are contiguous to the land that the Phase I ESA was performed on and has historically been under the same ownership; it is unlikely that new conditions would be found for the three acres not included in the Phase I ESA that were not originally addressed in the report; a new Phase I ESA had been ordered for the entire 20 acre tract that includes the original and revised development sites as of the date of the appeal; the Application that would be awarded if Casa Alton is not awarded is for a smaller amount of Housing Tax Credits and would result in Region 11 being underserved for the third year in a row; and the Application whose termination allowed Casa Alton to be considered for an award originally was also proposed to be located in Alton; therefore an award to Casa Alton would allow housing to be built in Alton, as originally recommended by Department staff at the July 31, 2007 Board meeting.

All Applicants are responsible for their choices regarding changes to the application. Further, the Applicant is responsible for compliance with the requirements of the QAP. Although the initial proposal for the Phase I ESA was for the entire 20 acre tract, the final report submitted in order to meet the requirements of the QAP did not include the revised development site. The Department relies on the investigations performed by the preparer of the Phase I ESA and does not use the report to make assumptions about any land not evaluated in the report. In addition, the possible reallocation of Housing Tax Credits in Region 11 is not relevant to the fact that the you did not meet the threshold requirements in the QAP related to the Phase I ESA.

§49.9(h)(14)(G)(ii) of the QAP explicitly states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007... ***Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration. (emphasis added)***

A Phase I ESA containing the development site, as revised on October 30, 2007 was not submitted by April 2, 2007. Rather, a Phase I ESA for the development site was submitted on November 29, 2007, almost eight months after the deadline required by the QAP. Therefore, because a Phase I ESA Report containing the proposed development site, as revised October 30, 2007, was not submitted by April 2, 2007, as required by §49.9(h)(14)(G)(ii), the Application was terminated.

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 December 20, 2007 Board meeting. Board appeal documentation must be submitted by 5:00 p.m., Tuesday, December 11, 2007 to be placed with the December 20, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be

Ms. Coburn
December 5, 2007
Page 3 of 3

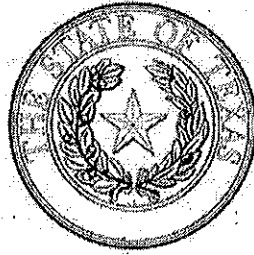
utilized. Please fill out and return the attached 2007 Housing Tax Credit Appeal Election Form to indicate your decision whether to appeal to the Board.

If you have questions or comments, please contact Multifamily staff at (512) 475-3340.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Gerber", written over a horizontal line.

Michael Gerber
Executive Director



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2007 HOUSING TAX CREDIT APPEAL 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 December 20, 2007 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, December 11, 2007 to be placed in the December 20, 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.

Development Name:	
Development Address:	
Title:	
Date:	

Signed: _____

07302
Termination Letter



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

November 14, 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: Casa Alton, TDHCA #07302

Dear Ms. Coburn:

On March 1, 2007 you submitted an Application for Housing Tax Credits for the above-referenced development to the Texas Department of Housing and Community Affairs (the "Department"). During the Underwriting Evaluation, the Applicant notified Department staff of a change to the location of the proposed development site. As a result of this change, staff performed a review of the threshold criteria affected by the change and has determined that the Application has not met the minimum threshold requirements under the 2007 Qualified Allocation Plan and Rules ("QAP") for the following reason:

Pursuant to §49.9(h)(14) of the 2007 Qualified Allocation Plan and Rules ("QAP"), all Applications must include a Phase I Environmental Site Assessment (ESA) report, which "must be submitted on or before 5:00 p.m. CST, April 2, 2007." On October 30, 2007, the Applicant notified Department staff that the development site was being shifted from the location originally identified in the Application. Both the originally proposed development site, and the revised development site were under proper continuous control throughout the period required under §49.9(h)(7)(A) of the 2007 QAP; however, the Phase I ESA submitted by April 2, 2007 did not include the revised development site.

A Deficiency Notice was issued on November 5, 2007 requesting evidence that a Phase I ESA was submitted by April 2, 2007 for the proposed development, as revised on October 30, 2007. On November 13, 2007, the Applicant provided a response indicating that the Phase I ESA that was submitted by April 2, 2007 only included the originally proposed 9.5 acre development site, but did not include any other portion of the revised development site.

Ms. Coburn
November 14, 2007
Page 2 of 2

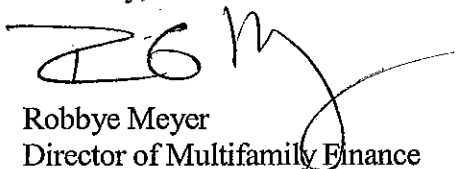
Therefore, because a Phase I ESA Report containing the proposed development site, as revised October 30, 2007, was not submitted by April 2, 2007, as required by §49.9(h)(14)(G)(ii), the Application has been terminated. No further action will be taken with regard to this Application.

Pursuant to §49.17(b) of the 2007 QAP, an appeal policy does exist for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal are detailed in §49.17(b) of the 2007 QAP. If you choose to appeal this determination, you must first submit an appeal to the Executive Director no later than 5:00 p.m., November 21, 2007. In the event that the Executive Director denies the appeal, you may appeal to the Department's Board at the December 20, 2007 Board meeting.

If you wish for an appeal to be presented to the Department's Board at the December 20, 2007 meeting, you will need to file your appeal documentation to the Board by 5:00 p.m., Monday, December 10, 2007. Otherwise, the appeal documentation to the Executive Director will be presented to the Board.

Please contact me at (512) 475-2213 or by email at robbye.meyer@tdhca.state.tx.us if you have any questions.

Sincerely,



Robbye Meyer
Director of Multifamily Finance

07302

Deficiency Notice



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
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Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

November 5, 2007

Monica Poss
National Farm Workers Service Center
908 East 5th Street, Ste 201
Austin, Texas 78702

Re: Application for 2007 9% Housing Tax Credits for Casa Alton (TDHCA #07302)

Ms. Poss:

As discussed today, Monday November 5, 2007, please provide any additional information to support the submission of a Phase I ESA for the proposed revised site by April 2, 2007 in accordance with the 2007 QAP §49.9(h)(14)(G)(ii), which states:

Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than April 2, 2007. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, April 2, 2007. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

If such documentation cannot be provided as suggested by phone, the subject application may be terminated pursuant to the above stated guideline.

Please respond by 4:00pm on Tuesday November 13, 2007 to allow for timely completion of our review. If you have any questions you may contact me at 512.475.2691.

Sincerely,

Cameron Dorsey
Real Estate Analysis

07302
Deficiency Response



National Farm Workers Service Center, Inc. Housing and Economic Development Fund

29700 Woodford-Tehachapi Rd., Keene, CA 93531 Tel (661) 823-6201 – Fax (661) 823-6175

Texas Office: 908 E. 5th Street, Suite 201, Austin, TX 78702 –Tel. (512) 474-5003 – Fax (512) 474-5010

November 13, 2007

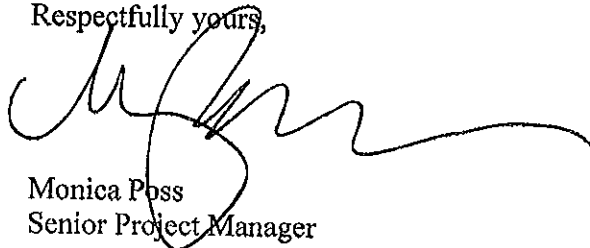
Cameron Dorsey
Real Estate Analysis
Texas Department of Housing and Community Affairs
221 East 11th St.
Austin, TX 78701

Re: Application for 2007 9% Housing Tax Credits for Casa Alton (TDHCA #07302)

Mr. Dorsey,

Despite the fact that Raba Kistner's original engagement letter for a Phase I ESA was for the entire 20 acres of land we have under contract in Alton, the ESA submitted to the TDHCA by April 2, 2007 only covered the 9.5 acre portion on which Casa Alton was to be located. We have engaged Raba Kistner to redo their Phase I ESA for the entire 20 acres.

Respectfully yours,



Monica Poss
Senior Project Manager

07626 – Costa
Clemente

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 2007

Action Item

Presentation, Discussion, and Possible Action for Private Activity Bond and Housing Tax Credits Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal of Costa Clemente.

Background and Recommendations

Costa Clemente - 07626

The applicant for Costa Clemente is appealing the termination of the Application for 2007 Private Activity Bonds and Housing Tax Credits. The Application was terminated due to failure by the applicant to meet essential deadlines required to allow the Department and Bond Counsel to prepare and complete the necessary documents for presentation to the Board within the statutory timeframe.

The applicant was provided numerous opportunities available to generate a financing structure with financial partners that were acceptable to the Department and financially feasible. The Department was informed on November 28, 2007 that the Housing Tax Credit syndicator, Column Capital, LLC, an affiliate of Credit Suisse, would not be providing the equity for the transaction. The Department gave the applicant until 3:00 p.m. on Friday, November 30, 2007 to replace Column Capital, LLC (equity provider) and provide letters of financial commitment not only for a replacement equity provider but also the initial bond purchaser and permanent lender. On Friday, November 30, 2007, the Department received letters of commitment from Apollo Equity Partners, LLC (equity provider) and Column Capital, LLC (permanent lender). The initial bond purchaser was stated as Column Capital, LLC, or one of its subsidiaries, affiliates or designees. The Department received a notice from the permanent lender "Column Capital, LLC" on December 10, 2007, stating they had major concerns with the transaction and would not be providing the financing for Costa Clemente.

The Department publishes the materials to be presented to the Board seven days prior to the Board meeting. Due to the financial instability and inconsistency of the transaction and the inability for staff and bond counsel to prepare the appropriate documentation, staff believes that the termination of the application was the only valid action to be taken.

Staff Recommendation: The Executive Director terminated the application. Staff is recommending that the Board deny the appeal of that termination.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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GOVERNOR

Michael Gerber
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Sonny Flores
Gloria Ray
Norberto Salinas

December 11, 2007

Costa Clemente III, Ltd.
Attention: Dan Markson
111 Soledad, Suite 1220
San Antonio, Texas 78025

Re: Costa Clemente III, Ltd., TDHCA #07626

Dear Mr. Markson:

The Texas Department of Housing and Community Affairs (the "Department") received an application for Private Activity Bonds and Housing Tax Credits for the above-referenced development. The Department has worked diligently with your staff to comply with the Department's rules and processes. The Department has extended every opportunity available to allow you to generate a financing structure that is acceptable to the Department and financially feasible. The Department received a notice from the lender "Credit Suisse" on December 10, 2007, stating they had major financial concerns and would not be providing the financing to this transaction. At this time, the Department does not have the essential information required to complete the transaction to meet the Department's statutory obligations.

Therefore, based on the reason stated above, the application has been terminated. No further action will be taken with this application.

Pursuant to Title 10 §1.7 of the Texas Administrative Code, an Appeals Policy does exist for the Department. If you choose to appeal this determination, you must first submit an appeal to the Executive Director no later than 5:00 pm on or before seven days following the date of this notice.

If you have any questions you may contact Robbye Meyer at (512) 475-2213 or at email address robbye.meyer@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Gerber".

Michael Gerber
Executive Director

mfp/rgm

Teresa Morales

From: Wrzosek, Robert [robert.wrzosek@credit-suisse.com]

Sent: Monday, December 10, 2007 6:34 PM

To: Alicia Clark (Ballard Spahr Andrews & Ingersoll); Andy Tanner (NRP); Beaumariage, Al; Chris Sayers (Vinson & Elkins); Cliff Blount (Naman Howel Smith & Lee); Crump, Stephen; Dan Kierce (Apollo); Daniel Markson (NRP); David Leon (Broad and Cassel); Debra Guerrero (NRP); Deirdre Ward (Wells Fargo); Elizabeth Rippy (Vinson & Elkins); Elsa Estes (Ballard Spahr Andrews & Ingersoll); Erin Witte (NRP); Furbush, Beverly; Gail Weatherby (Vinson & Elkins); Hoffer, Nicholas; J. C. Howell (RBC); Jerry V. Kyle Jr. (Andrews Kurth); Jim Plummer (Fulbright & Jaworski); Joey Lubinski (Ballard Spahr Andrews & Ingersoll); John Garza (Northside Redevelopment Center); Ken Maksoudian (NRP); Kevin Hamby (TDHCA); Kim Laporte (Broad and Cassel); Kristi Sullivan (Broad and Cassel); Lynette Younger (Ballard Spahr Andrews & Ingersoll); Margo Stern (Ballard Spahr Andrews & Ingersoll); Mcmillan, Lori; Moses, Michael; Nicole Counts (Vinson & Elkins); Rebecca Olsen (Ballard Spahr Andrews & Ingersoll); Rob Kearbey (Ballard Spahr Andrews & Ingersoll); Robbye Meyer (TDHCA); Robert Hayes (Stewart Title Company); Roewe, Dena; Roman Petra (Broad and Cassel); Shannon Roth (TDHCA); Sharon Gamble (TDHCA); Sogga, Amy; Steve Gerdes (Vinson & Elkins); Susie Rice (Stewart Title Company); Teresa Morales (TDHCA); Tim Deithloff (Vinson & Elkins); Valerie Garrity (NRP); Victoria Ozimek (Vinson & Elkins); Vincent Marquez (Northside Redevelopment Center); Webb, Loretta; Weissman, Paul; Wrzosek, Robert

Subject: Costa Clemente--Please put pencils down

Ladies & Gentlemen,

I apologize for the confusion and lack of communication today; the past 12 hours have been a little crazy.

With that being said, Credit Suisse/Column has decided not to pursue the Costa Clemente financing due to underwriting concerns that either arose or were confirmed by the market study and the appraisal, which we received this past Friday afternoon.

In short, Credit Suisse/Column has major concerns surrounding: (i) capture rates, (ii) rents, (iii) the lack of a cash developer, (iv) the disparity between the appraised value of the land and it's contracted value, and (v) a concern over the ability to reach an agreement on documentation with the borrower, resulted in our credit decision not to pursue this financing.

I appreciate the hard work of everyone to date, especially the issuer and bond counsel. Again, I apologize for not communicating this message to the group earlier but most of today was spent attempting to discern a workable solution.

Please direct questions or concerns to me.

Regards,

Robert A. Wrzosek

CREDIT SUISSE

Eleven Madison Avenue, 9th Floor

New York, NY 10010

e-mail: robert.wrzosek@credit-suisse.com

office: (212) 325-2850

mobile: (202) 841-9973

fax: (212) 743-4067

12/13/2007

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 20, 2007

Action Items

Presentation, Discussion and Possible Action for a Request to Return Housing Tax Credits and Receive a Reallocation of Housing Tax Credits for Commons of Grace, TDHCA #04224.

Required Action

Approve, amend or deny the request for Commons of Grace.

Background for Commons of Grace, #04224

At the October 2007 Board meeting, the Board requested that staff investigate whether Commons of Grace qualified for an extension under the IRS Revenue Ruling Number 2007-54. Staff has confirmed with the Internal Revenue Service that it does not qualify and as requested by the Board has placed the item back on the agenda for consideration for a reallocation of credits.

At the November Board meeting, the owner stated they believed they would be able to meet the federal definition of Placement in Service by December 31, 2007. The owner asked the Board to table the decision until the December meeting to allow them time to see if they can meet the requirement.

GC Community Development Corporation received a Housing Tax Credit award in 2004. After approval a series of extension requests followed.

The Owner requested an extension in June of 2005, for the construction loan closing due to changes to the development that required the Department's approval and a delay in receiving the final commitment from the permanent lender.

The Owner requested a second extension in September of 2005, for the construction loan closing citing a delay in the permitting process with the City of Houston and a suspension of HOME funding from U. S. Housing and Urban Development (HUD) to the City of Houston. At that time, the Owner stated that the permits were anticipated to be issued and the HOME funds planned to be closed in November of 2005.

The Owner requested a third extension in November of 2005, for the construction loan closing along with an extension of commencement of substantial construction still citing delays with the City of Houston.

The Owner requested a fourth extension in March of 2006, for the construction loan closing and commencement of substantial construction citing another delay with the City of Houston HOME funds and the expiration of the HOME commitment from the City of Houston.

The Owner requested a fifth extension in June 2006, for the construction loan closing and commencement of substantial construction citing a delay with the City of Houston HOME

funding. The Board approved these extensions in June, with the condition that the HOME funds must be approved by the Houston City Council at the next available council meeting.

In November of 2006, the Owner, for the sixth time, requested an extension of the construction loan closing because the City of Houston commitment was delayed due to the tax credit syndicator withdrawing their commitment of funding. The City of Houston did not approve the HOME commitment until October 4, 2006. The Owner requested both the construction loan closing and commencement of substantial construction be extended to February 2007.

Also in June 2006, the Owner requested and received a placement in service extension under revenue procedure 95-28. This revenue procedure allowed a year extension of the placement in service date. The original placement in service was December 31, 2006 and the extended placement in service date was December 31, 2007.

According to NRP, the NRP Holdings, LLC joined the development team in November 2006. NRP indicates that part of the delay from the City of Houston was an unwillingness to do business with the previous owner. NRP was aware of all the extensions and the deadline for completion when it purchased the property. This is a sophisticated developer with a long history of the risks involved in development of property. The Board was assured that the development would be able to complete construction and place in service by December 31, 2007.

The actual construction of pouring foundations and framing finally began earlier this month. NRP has indicated that they clearly will not be able to meet the placement in service deadline of December 31, 2007. Therefore, they are requesting that they return the credits they were awarded in 2004 (which would be returned to the Credit Ceiling) and that the Board re-allocate credits in that same amount back to them. The Owner has assured staff that construction will be complete and the development placed in service by March 2008.

Section 50.17(j) of the 2004 Qualified Allocation Plan and Rules ("QAP") under which the partnership was awarded tax credits states:

“The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity...”

Staff does not believe that the credits are invalid and does not affirm that the applicant was not responsible. While staff is sympathetic to the issues associated with the City of Houston's accountability with disaster efforts, meeting the deadlines for the tax credit program is a key responsibility for Owners. In this case the development has already received an additional year relating to the disaster as noted.

This Owner has had well over three years to complete the development and has received six extensions for the construction loan closing deadlines and four extensions for commencement of substantial construction deadlines. Three and a half years is ample time to complete a development and place in service and already reflects federal leniency due to the disaster relating to the Revenue Proclamation extension. NRP is claiming that 161 days of work stoppage delayed the development due to the site being too wet for significant periods of time to pour a foundation due to the heavy rains in the Houston area.

Staff has verified that there were indeed weather delays in the Houston area, but the majority of the delay of the three years to build this property was not weather related, but management related. NRP agreed to take on the property knowing that the development was two years behind schedule. As these credits would be returned to the 2008 Credit Ceiling the State of Texas will still receive the benefit of these credits in another affordable housing development.

In summary, the weather did cause a delay, but the primary delay was the inability of the management team to move the project forward and the purchase of the property was inherently risky as there was less than one year remaining to develop the property when it was acquired and the transfer completed. By providing the reallocation of credits in a non-competitive cycle, the Board could be establishing a precedent that management errors will be an acceptable reason to reallocate credits. Further, the Board could be considered to be providing indemnification for risk taking by NRP group, a successful developer with experience and setting a precedent to not perform full due diligence in the acquisition of tax credits. This Owner made a choice to continue to move forward with the development knowing the placement in service deadline was December 31, 2007.

The IRS has given a clear interpretation of what type of event warrants an extension of the Placement in Service, again this development has already had the advantage of the relief allowed by the IRS. Only in the absence of such an interpretation would a separate interpretation from the Department be necessary. Further guidance from the Department is not necessary because the IRS has already defined what obstacles are considered legitimate for purposes of extensions of Section 42 deadlines.

At the July 30, 2007 Board meeting the Board approved a waiting list of applicants that could receive tax credits if any previously awarded applicants return their tax credits prior to the end of the year. This reallocation would deviate from the waiting list procedure approved by the Board in July.

The original 2004 allocation was \$660,701.

Recommendation for Commons of Grace, #04224

Staff recommends the Board deny the request for re-allocation as this was a continuation of substandard management, a comprehensive failure to perform and a calculated risk by the current owner. Approval would set a poor precedent to bail out developers and not require them to be accountable for their mistakes or risky behavior.

G.C. Community Development Corporation
"Building a Community One Step At a Time"
9410 Mesa Drive
Houston, Texas 77028
(713) 633-3371 – office (713) 635-8009 -- fax

COPY

October 19, 2007

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Received

OCT 22 2007

Re: Commons of Grace (Houston)
TDHCA File No.: 04224

Dear Mr. Gerber:

This letter constitutes a formal request to the Texas Department of Housing and Community Affairs ("TDHCA") for relief to TX Commons of Grace, LP (the "Partnership"). The Partnership is developing a 108-unit housing property for seniors (the "Property") in the Tidwell neighborhood of Houston. The Property initially was proposed as a joint development venture between Southwest Housing Development ("Southwest") and G.C. Community Development Corporation, a community-based non-profit corporation affiliated with the Grace Cathedral Church ("Non-Profit"). To finance the development, the Partnership received a \$759,068 allocation of low-income housing tax credits ("Tax Credits") in 2004. The Partnership also received a commitment of HOME funds from the City of Houston.

Upon the allocation of Tax Credits, Houston's HOME funds were frozen by the Department of Housing and Urban Development. This was the first in a series of devastating events that delayed development of the Property. As the Partnership strove to put a viable financing plan together, Hurricane Katrina hit, sending thousands of evacuees to Houston, and Hurricane Rita ravaged southeast Texas immediately thereafter. Construction costs skyrocketed and insurance became unattainable. With this catastrophic consequence, the Partnership sought and received a one-year extension of its placement in service date under Revenue Procedure 95-28, making the placement in service date December 31, 2007.

The Partnership re-worked its development budget and financing plan. When Houston's HOME funds were released, the development seemed to be falling into place. Unfortunately, by this time, officials had launched a federal investigation of Southwest for matters unrelated to the Property. This impacted the availability of financing, and it became apparent that Southwest was not in the best position to complete the Property.

The Non-Profit knew it needed to act quickly to preserve the development. The Partnership had received precious resources in Tax Credits and HOME funds. The neighborhood was anxiously anticipating the construction of the Property. The Houston City Council had given the Property tremendous support. The Non-Profit agreed to replace Southwest with the NRP Group ("NRP") as

its development partner. An affiliate of NRP agreed to develop the Property in October 2006 and was admitted as a special limited partner of the Partnership in December 2006. TDHCA was notified of this change. At this point, NRP knew the construction schedule would be tight. But with 12 years of experience developing and constructing more than 9,600 units of housing, NRP knew the Property could be completed by the December 31, 2007 placement in service deadline. In fact, NRP previously had taken a replacement developer role for another troubled Texas property and successfully completed the development.

With financing in place and prepared to commence construction, the Partnership suffered another devastation – incessant rains. Beginning in January 2007 and continuing through September 2007, the development site received over 124.52 inches of rain, resulting in 161 days of work stoppage. This is approximately 350% of the average rainfall for this period in Houston. (See the timeline attached as Exhibit A). When work could be performed, the work focused on drying out the site so foundations could be poured. The Partnership spent over \$150,000 on attempts to fortify and stabilize the soil. (See invoices and change orders attached as Exhibit B.) Each time it stabilized the soil, more rain ensued. Finally, foundations were poured and lumber was delivered to the site this month. Since then, construction has progressed rapidly, as evidenced by the pictures attached as Exhibit C.

The Partnership believes it can complete the Property in the first quarter of 2008. But, the December 31, 2007 placed in service date appears to be impossible. Under Section 42(h)(1)(E) of the Internal Revenue Code (the "Code"), Tax Credits will be revoked if all buildings in the Property are not placed in service by December 31. Loss of the Tax Credits would have a catastrophic economic impact on the Partnership, NRP, the investor and the lender. The Partnership's investor limited partner is an affiliate of Column Financial. To date, it has contributed over \$1,389,120 to the development of the Property. The Partnership's lender is Citibank, and the outstanding loan balance is \$1,864,320. They have determined that the Property is not viable as market rate housing. Without the Tax Credit financing, construction would likely cease and the Property could become a blight on the neighborhood. This would have an equally catastrophic social impact that the Non-Profit simply cannot abide. The Non-Profit's mission is to lift up the citizens of its community. The neighbors have been waiting for this housing for years; over 250 inquiries have been received already. The residents need this housing; the Partnership must overcome this final obstacle.

Given the impending loss of Tax Credits if the Partnership fails to place the Property in service by December 31, 2007, the Partnership needs immediate help. The Partnership has explored a variety of options, including a one-year extension of the placement in service date under Revenue Procedure 2007-54. At this time, the Partnership has been advised that TDHCA does not think that the IRS will permit Revenue Procedure 2007-54 to apply to the Property. Yet, we do not have any evidence that the IRS has made a definitive determination of this effect. If Revenue Procedure 2007-54 is unavailable to the Partnership, then relief under the 2007 Qualified Allocation Plan (the "QAP") appears to be the only alternative. Section 49.16 of the QAP states:

The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity.

Under this provision, the Partnership could return its Tax Credits immediately after December 31 and have Tax Credits re-issued as 2008 Tax Credits. This QAP provision, giving the Board certain discretion to provide an extraordinary remedy that may override the regular allocation process, is consistent with Section 42(m)(1)(A)(iv) of the Code. Section 42(m)(1)(A)(iv) allows a housing finance agency to allocate Tax Credits in a manner that deviates from its QAP if "a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency." In this instance, restoration of Tax Credits to the Property is specifically allowed under the QAP, and thus does not deviate from QAP requirements.

Quite simply, the QAP and the Code allow the Board to grant relief in extraordinary situations. The events associated with the Property are extraordinary and merit such relief. The Partnership is not able to meet a critical deadline. However, its failure to do so was a direct result of circumstances that were out of its control. With a 12-month construction schedule and over five months lost to rain, the Partnership found itself in an untenable situation. It did everything it could control, spending considerable funds to dry out the site, but it could not stop the rain from falling.

The re-issuance of Tax Credits as suggested would have a neutral impact on the 2008 Tax Credit application round. Section 42(h)(3)(C) of the Code establishes the state housing credit ceiling for TDHCA; under the Code's calculation, Tax Credits returned from the Partnership may become a part of TDHCA's state housing credit ceiling for 2008. Section 49.7(a) of the QAP requires that the state housing credit ceiling be distributed in accordance with the regional allocation formula. If the \$759,068 of Tax Credits are added to the 2008 pool and spread among the various regions, they would have little impact on TDHCA's ability to fund a project in any particular region. However, we believe the Board has the authority to allocate the returned Tax Credits back to the Partnership, despite the regional allocation formula, under Section 49.17(j) of the QAP. Section 49.17(j) permits the Board to utilize an extraordinary remedy. If the Board had to do so within the confines of the regional allocation formula and other provisions of the QAP, then the remedy in Section 49.17(j) could be worthless. Further, the Board has the power, under Section 42(m)(1)(A)(iv) of the Code, to allocate Tax Credits in a manner inconsistent with the QAP. The restoration of the Tax Credits is specifically allowed by the QAP and thus is not inconsistent, but it would deviate from the QAP's standard allocation system. These provisions, working together, give the Board the ability to restore the Tax Credits for Property with a 2008 allocation.

We understand that the Partnership is asking the Board to do something unusual. This is an extraordinary situation requiring extraordinary relief, and that is just what the QAP provisions are intended to do. The QAP provisions are not intended to rescue developers from their own inability to perform. They are intended to ensure that affordable housing is not jeopardized when a developer runs into circumstances beyond its control.

We hope you will agree that the Partnership and the Property are worthy of preservation of their Tax Credits and will recommend this relief to the Board for its November 8 meeting.

If you need any additional information to consider this request, please let me know.

Thank you for the time that you and the staff have devoted to this challenging issue.

TX Commons of Grace, LP

By: TX Commons of Grace Development, LLC,
its general partner

By: G.C. Community Development Corporation,
its managing member

By:



Pastor Charles H. Taylor, Sr.,
Vice President

cc: NRP Group
Citibank
Column Financial
Donald Sampley, City of Houston

Commons of Grace - Timeline of Events

Pre-NRP:

July 28, 2004 - Tax credits awarded to Southwest Housing.

2005 - Revenue Procedure 95-98 extension (due to Hurricanes Katrina and Rita) is granted to Southwest Housing.

Post-NRP:

September 21, 2006 – Letter of Intent signed. NRP agrees to step in on Commons. Due diligence ensues, resulting in an agreement between the parties for NRP to become co-developer (with the non-profit). Non-profit is Pastor Charles Taylor, Grace Cathedral Church CDCTX Commons of Grace, L.P.

October 2006 - Ownership transfer from Southwest Housing to The NRP Group takes place.

November 30, 2006 - December 21, 2006:

NRP is prepared to start construction on Nov. 30. However, financial terms could not be finalized until the City of Houston agreed to sign a subordination agreement with the construction lender.

December 21, 2006 - January 11, 2007:

Notice to proceed was delayed until the City approved the surety bond. The city standard forms were not acceptable and numerous City approvals were needed to use the surety's standard forms.

January 2007 - City of Houston HOME Funds closed. Construction begins.
Monthly rainfall total = 10.52 inches. Monthly "No Work" Days = 17 days.

February 2007 - Monthly rainfall total = 9.8 inches. Monthly "No Work" Days = 27 days.

March 2007 - Monthly rainfall total = 14.10 inches. Monthly "No Work" Days = 23 days.

April 2007 - Monthly rainfall total = 13.50 inches. Monthly "No Work" Days = 17 days.

May 2007 - Monthly rainfall total = 19.75 inches. Monthly "No Work" Days = 20 days.

June 2007 - Monthly rainfall total = 13.5 inches. Monthly "No Work" Days = 13 days.

July 2007 - Monthly rainfall total = 26.50 inches. Monthly "No Work" Days = 20 days.

August 2007 - Monthly rainfall total = 13.35 inches. Monthly "No Work" Days = 17 days.

September 2007 - Monthly rainfall total = 3.5 inches. Monthly "No Work" Days = 7 days.

October 2, 2007 - President Bush declares Harris County a federal disaster area.

October 2007 - Lumber is dropped. Construction development is vertical and we are progressing rapidly.

Commons of Grace 9/12/07

Total costs incurred by NRP for drying site to date.

HONDO CONSTRUCTION:

1). Drying site and cutting in material,	\$4347.00
2). Equipment rental	\$4945.31
3). 200 loads of import fill @ 75.00 per load	\$15000.00
4). 20 loads of fill dirt @ 80.00 per load	\$1600.00
5). Provide dozer and operator to aid in drying 12 days	\$7260.00
6). Incorporate "Tru Chem" into existing saturated site Soils to a depth of 1 to 1.5' at building pads	\$6000.00
7). Incorporate "Tru Chem" into existing soils to a depth Of approx. 1 to 1.5' at building pads, clubhouse, driveways To facilitate access to the site and to expedite construction 11 loads to achieve the desired result.	\$33,000.00

Hondo Total for site drying costs: \$72,152.31

WC Bell

1). Drying site with 3 pallets of lime	\$3000.00
2). Additional mobilization	\$2500.00

WC BELL TOTAL to assist in drying site: \$5500.00

PACE CONCRETE

1). 2 pallets of lime to assist in drying for concrete trucks To access site for pour.	\$750.00
---	----------

PACE TOTAL for assisting in site drying: \$750.00

ROBLES EXCAVATION

1). Cut and Haul off mud on site	\$58,300.00
2). Equipment Rental and Pebble lime material	\$17,180.35

ROBLES TOTAL to assist in drying site: \$75,480.35

**TOTAL COST PAID BY NRP FOR DRYING COMMONS OF GRACE
JOBSITE \$153,882.66**



TRUMARK TRUMARK TRUMARK
TRUMARK TRUMARK

10/12/2007



10/12/2007



10/15/2007



10/12/2007



11/08/2007



11/13/2007



12/04/2007



12/04/2007

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

December 20, 2007

Action Items

Presentation, Discussion and Possible Allocation of 2007 Housing Tax Credits.

Required Action

Approve, Amend or Deny the Staff Recommendation.

Background

At the November 8, 2007 Board meeting, based on the availability of 2007 credit ceiling, staff presented the Board with two eligible applications in the Board materials that procedurally would be the next to receive an allocation of credits in each of their respective regions. The Board approved one of the applications, Villas on Raiford, #07303 located in Carrollton in Region 3 to have 2007 and 2008 credits, with the condition that all subsequent returned credits would be used to fully fund the Villas on Raiford with 2007 credits. However, subsequent to the publication of the Board materials for November, the other application recommended for an award, Casa Alton, #07302 located in Alton in Region 11, was identified as having missed a submission deadline which would result in a termination. Therefore, staff did not recommend the Board to take action on Casa Alton until the possible termination and appeal were resolved. After the November Board meeting, the application was terminated by staff and the applicant filed an appeal to be presented at the December Board meeting.

At the time of publication of the board materials on December 13, 2007, the Board had awarded \$48,211,106 in tax credits leaving a balance of \$874,711 still available in 2007. Casa Alton, #07302 (\$705,994) is the next eligible application in Region 11 followed by Buena Vide Apartments, #07267 (\$134,701).

Recommendation

If the Board has granted the appeal of termination for Casa Alton, presented earlier on this agenda, staff recommends the Board award an amount not to exceed of \$705,994 in credits for Casa Alton, #07302 located in Alton because they were originally presented to the Board in November and would have received these credits before the Villas on Raiford was to be given all remaining 2007 credits. The remaining credits of \$168,717 will be utilized to reduce the amount of the forward commitment award for Villas on Raiford. As noted in November, all subsequent returned credits prior to year end will be used for Villas on Raiford.

If the Board has denied the appeal of termination for Casa Alton, presented earlier on this agenda, staff recommends the Board award \$734,466 to replace the amount forward committed from the 2008 credit ceiling for the Villas on Raiford application and award \$134,701 to the last remaining application in Region 11, Buena Vida Apartments, #07267 located in La Feria. This will leave a remaining balance of approximately \$5,544 in the 2007 credit ceiling and no application will be partially funded with this amount.

**Housing Tax Credit Program
Board Action Request
December 20, 2007**

Action Item

Request review and board determination of five (5) four percent (4%) tax credit application with other issuers for the tax-exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of two (2) four percent (4%) Tax Credit Determination Notices with **other issuers** for the tax-exempt bond transactions known as:

TDHCA No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07439	Jason Avenue Residential	Amarillo	Panhandle Regional HFC	252	252	\$24,719,999	\$14,000,000	\$1,168,935	\$1,100,819
07454	Encinal Apartments	San Antonio	Bexar County HFC	201	201	\$13,57,628	\$6,120,000	\$484,254	\$0
07457	Wyndham Park	Baytown	Southeast Texas HFC	184	184	\$18,264,949	\$9,000,000	\$740,829	\$740,829
07458	Park Shadows Apartments	Beaumont	Jefferson County HFC	150	150	\$14,211,876	\$6,850,000	\$546,051	\$0
07459	Seville Row Apartments	Beaumont	Jefferson County HFC	90	90	\$8,412,897	\$4,660,000	\$312,104	\$0

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 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 Jason Avenue Residential, #07439.

Summary of the Transaction

Background and General Information: The application was received on November 27, 2007. The Issuer for this Priority 2 transaction is Panhandle Regional HFC with a reservation of allocation that expires on April 25, 2008. The development proposes the new construction of 252 total units targeting an intergenerational population. The development is proposed for the City of Amarillo, Potter County and 100% of the units are proposed to be restricted at 60% of AMFI. The site is currently zoned for such a development.

Organizational Structure and Compliance: The Borrower is Jason Avenue Residential, LP and the General Partner is Jason Avenue Residential GP, LLC, of which the Panhandle Regional HFC has 100% ownership interest. The Compliance Status Summary completed on December 12, 2007 reveals that the principals of the general partner have a total of four (4) properties that have been monitored with no material non-compliance.

Census Demographics: The development will be located near the intersection of Jason Avenue and Red River Road in Amarillo. Demographics for the census tract (139.00) include AMFI of \$36,343; the total population is 3,336; the percent of population that is minority is 68.65%; the percent of population that is below the poverty line is 25.72%; the number of owner occupied units is 753; the number of renter units is 291 and the number of vacant units is 32. The percentage of population that is minority for the entire City of Amarillo is 24.7% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support or opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of \$1,100,819 in Housing Tax Credits for Jason Avenue Residential.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Jason Avenue Residential, TDHCA Number 07439

BASIC DEVELOPMENT INFORMATION

Site Address: Located near the intersection of Jason Avenue and River Ro Development #: 07439
 City: Amarillo Region: 1 Population Served: intergenerational
 County: Potter Zip Code: 79107 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: NC
 Bond Issuer: Panhandle Regional HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Jason Avenue Residential, LP
 Owner Contact and Phone: Stuart Shaw (512) 220-8000
 Developer: SSFP Jason Avenue IX, LLC
 Housing General Contractor: Bonner Carrington Construction LLC
 Architect: N/A
 Market Analyst: N/A
 Syndicator: Apollo Housing Capital, LLC
 Supportive Services: To Be Determined
 Consultant: State Street Housing Advisors, L.P.

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	252
0	0	0	252	0	50	106	80	16	0	Market Rate Units:	0
Type of Building: <input checked="" type="checkbox"/> 4 units or more per building Owner/Employee Units: 0											
<input type="checkbox"/> Duplex	<input type="checkbox"/> Detached Residence									Total Development Units:	252
<input type="checkbox"/> Triplex	<input type="checkbox"/> Single Room Occupancy									Total Development Cost:	\$24,719,999
<input checked="" type="checkbox"/> Fourplex	<input type="checkbox"/> Transitional									Number of Residential Buildings:	15
<input type="checkbox"/> Townhome											
HOME High Total Units:											0
HOME Low Total Units:											0

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$1,168,935	\$1,100,819	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Jason Avenue Residential, TDHCA Number 07439

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Seliger, District 31 NC US Representative: Thornberry, District 13, NC
TX Representative: Swinford, District 87 NC US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Debra McCartt, Mayor, City of Amarillo - Resolution of Support from Local Government
NC

need con plan

Individuals/Businesses: In Support 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

1. 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)."
2. Receipt, review and acceptance, before commencement of construction, of documentation that all Phase I ESA recommendations regarding potential releases from the leaking 55 -gallon drum, as well as removal of all debris, have been completed, and any subsequent findings regarding the leaking drum have been resolved.
3. Receipt, review and acceptance, prior to closing, of documentation that the HFC has acquired the property and executed a lease to the Applicant.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Jason Avenue Residential, TDHCA Number 07439

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

4% Housing Tax Credits:	Credit Amount:	\$1,100,819
Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$1,100,819 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: 12/12/07 PROGRAM: 4% HTC FILE NUMBER: 07439

DEVELOPMENT																					
Jason Avenue Residential																					
Location: near Jason Avenue and River Road				Region: 1																	
City: Amarillo		County: Potter		Zip: 79107		<input checked="" type="checkbox"/> OCT <input type="checkbox"/> DDA															
Key Attributes: New Construction, Intergenerational, Urban, Multifamily																					
ALLOCATION																					
	REQUEST			RECOMMENDATION																	
TDHCA Program	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term															
Housing Tax Credit (Annual)	\$1,168,935			\$1,100,819																	
CONDITIONS																					
<ol style="list-style-type: none"> 1 Receipt, review, and acceptance, before commencement of construction, of documentation that all Phase I ESA recommendations regarding potential releases from the leaking 55-gallon drum, as well as removal of all debris, have been completed, and any subsequent findings regarding the leaking drum have been resolved. 2 Receipt, review, and acceptance, by closing, of documentation that the HFC has acquired the property and executed a lease to the Applicant. 3 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																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">TDHCA SET-ASIDES for LURA</th> </tr> <tr> <th style="text-align: center;">Income Limit</th> <th style="text-align: center;">Rent Limit</th> <th style="text-align: center;">Number of Units</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">low HOME/60% of AMI</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">high HOME/60% of AMI</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">60% of AMI</td> <td style="text-align: center;">238</td> </tr> </tbody> </table>							TDHCA SET-ASIDES for LURA			Income Limit	Rent Limit	Number of Units	60% of AMI	low HOME/60% of AMI	4	60% of AMI	high HOME/60% of AMI	10	60% of AMI	60% of AMI	238
TDHCA SET-ASIDES for LURA																					
Income Limit	Rent Limit	Number of Units																			
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60% of AMI	high HOME/60% of AMI	10																			
60% of AMI	60% of AMI	238																			
PROS			CONS																		
<ul style="list-style-type: none"> ◦ The bisected nature of the site is well suited for an intergenerational development, which requires separate facilities for seniors and families. 			<ul style="list-style-type: none"> ◦ The Applicant's projected costs for direct construction are 8% higher than the underwriting estimate. ◦ Market Analyst's demand by unit type for 3-bedroom units and 2-bedroom units targeting seniors suggests capture rates of near or over 100%. 																		

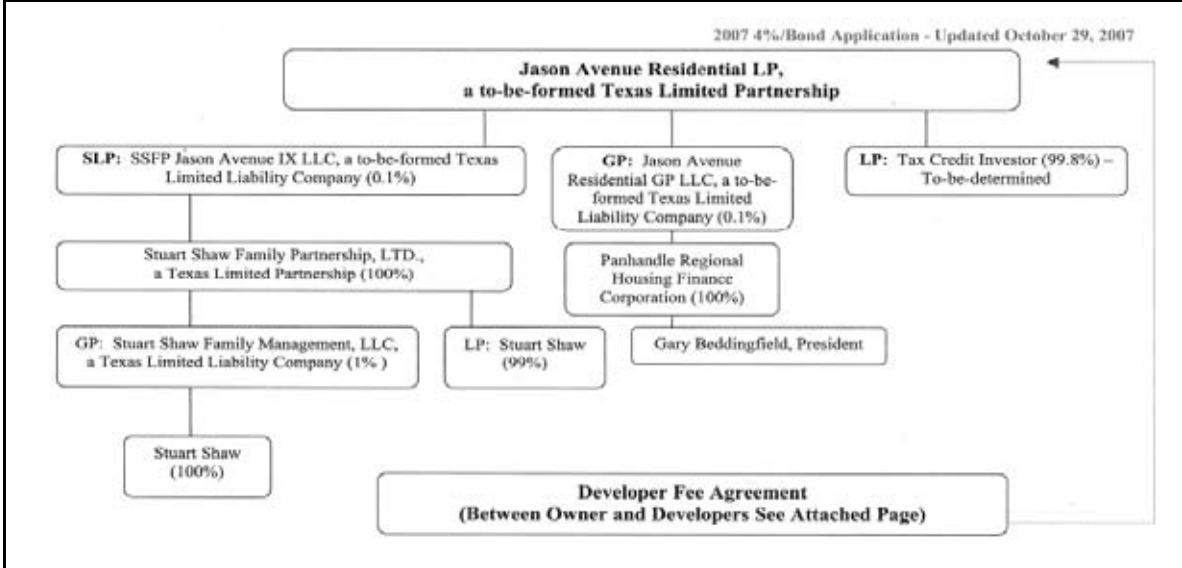
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PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Stuart Shaw Phone: (512) 220-8000 Fax: (512) 329-9002
 Email: stuart@bonnecarrington.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
Stuart Shaw Family Partnership, Ltd	\$419,795	\$353,643	3 completed 2 in construction
Stuart Shaw Family Management, LLC	\$23,957	-\$1,757	3 completed 2 in construction
Stuart Shaw	Confidential		3 completed 2 in construction
Panhandle Regional Housing Finance Corp	\$1,757,383	\$1,757,383	none

¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- o The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments. The property manager and supportive services provider are to be determined.
- o Stuart Shaw Family Partnership (owner of the SLP and Co-Developer) acquired the property from a third-party in August 2007. The property will be transferred from SSFP to the partnership for the original purchase price plus holding costs. This is discussed in detail below.

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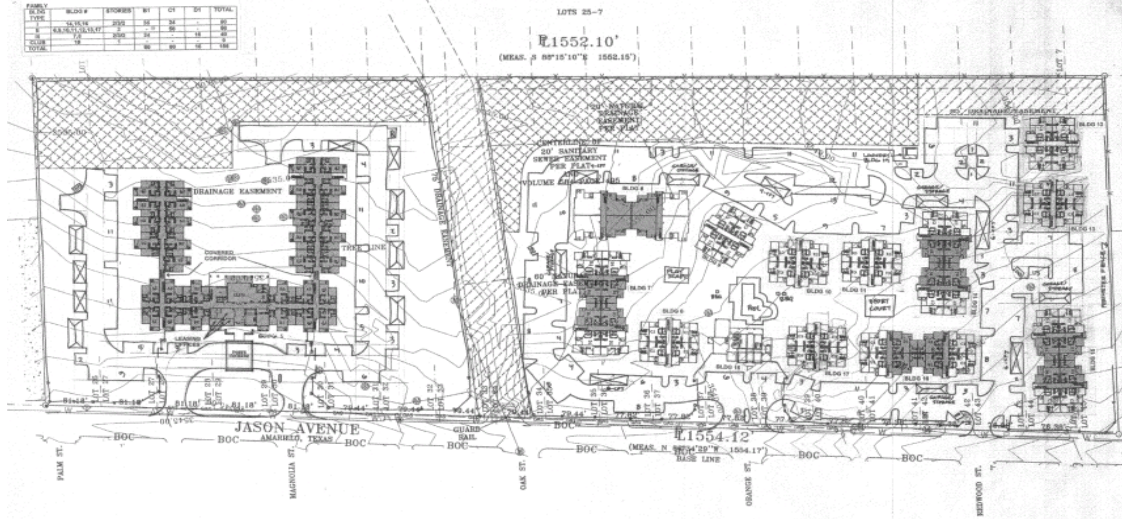
PROPOSED SITE

SITE PLAN

JASON AVENUE
AMARILLO, TEXAS

BLK	BLK #	STORIES	24	30	30	30	TOTAL
1	1	3	30	30	30	30	120
TOTAL			30	30	30	30	120

BLK	BLK #	STORIES	30	30	30	30	TOTAL
1	1	3	30	30	30	30	120
TOTAL			30	30	30	30	120



BUILDING CONFIGURATION

Building Type	I	II	III	senior bldg								Total Buildings
Floors/Stories	3	2	3	3	3	3						
Number	3	7	2	1	1	1						15

BR/BA	SF	Units							Total Units	Total SF
2/2	1,031	12		12					60	61,860
3/2	1,215	8	8						80	97,200
4/2	1,366			8					16	21,856
1/1	708				24	20	6		50	35,400
2/2	1,010				12	6	24		42	42,420
2/2	1,140				4				4	4,560
Units per Building		20	8	20	40	26	30		252	263,296

SITE ISSUES

Total Size: 19.79 acres Scattered site? Yes No
 Flood Zone: C Within 100-yr floodplain? Yes No
 Zoning: MF-1 Needs to be re-zoned? Yes No N/A

Comments:

The site is bisected by a 60 ft. natural drainage easement; the site plan accommodates this natural partition by placing the senior buildings on one side of the easement and the family buildings on the other side, with separate street entrances. Based upon the site plan no buildings or drives appear to be planned within the easement. The segmented nature of the site would appear well-suited to the QAP requirements for intergenerational developments:

- 1) separate and specific buildings exclusively for the age restricted units
- 2) separate and specific leasing offices and leasing personnel exclusively for the age restricted units

3) separate and specific entrances, and other appropriate security measures for the age restricted units.

Additional security will be provided for the age restricted buildings. The age restricted buildings will have separately fenced common areas and key card access to the main building.

The QAP also states that intergenerational developments must share the same development site, and provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group. The Applicant will employ an Intergenerational Program Coordinator who "will create and administer programs specifically developed for this community based on tenant surveys."

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/10/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Residential East: Residential
South: supermarket, interstate Hwy West: wooded area, residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consulting Engineers & Scientists Date: 7/27/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- One 55-gallon drum, approximately half-full, was observed during the site reconnaissance ... Approx. 3 square feet of stained soil was observed in the vicinity of the leaking 55-gallon drum ... Based on the unknown contents of the drum and presence of staining in the vicinity of the leaking 55-gallon drum, the leaking drum constitutes a recognized environmental condition to the site.
- Approximately 45 tires were observed on the site ... tires are considered a special waste and should be removed and disposed in accordance with local and state regulations.
- Approximately 10 shingles were observed on the site ... shingles are considered a special waste and should be removed and disposed in accordance with local and state regulations.
- Several mounds of construction/demolition material were observed throughout the site ...the debris should be removed and disposed in accordance with local and state regulations.

Comments:

Terracon recommends that additional investigation/remediation be conducted to evaluate if the site has been affected by potential releases from the leaking 55-gallon drum and that the remediation, treatment, and/or disposal of the affected soil and 55-gallon drum be conducted in accordance with state regulations.

Terracon recommends that the tires, shingles, and construction/demolition debris be disposed prior to site development.

Receipt, review, and acceptance, before commencement of construction, of documentation that all Phase I ESA recommendations have been completed, is a condition of this report.

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MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 8/24/2007
 Contact: Leslie Countryman Phone: 713-686-9955 Fax: _____
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (Family):

The Primary Market Area (PMA) for the units targeting families is defined as the aggregated area of ZIP Codes 79101, 79102, 79103, 79104, 79106, and 79107. This area covers 45 square miles, equivalent to a radius of approximately 3.8 miles. The estimated 2007 population is approximately 94,000, with 35,000 households.

Primary Market Area (Senior):

The Primary Market Area for the units targeting seniors is defined as the City of Amarillo, with approximately 22,000 senior households.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
Family				Senior
Name	File #	Total Units	Comp Units	None
Cathy's Pointe	05097	120	120	
TownParc at Amarillo	05124	144	144	

INCOME LIMITS						
Potter						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$21,780	\$24,840	\$27,960	\$31,080	\$33,540	\$36,060

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 /Low HOME / senior	130	9	0	139	2	0	1%
1 BR / 60% AMI / senior	119	11	0	130	48	0	37%
2 BR /Low HOME / senior	36	2	0	38	2	0	5%
2 BR / 60% AMI / senior	41	5	0	46	44	0	96%
2 BR / 60% AMI / family	227	-3	0	224	60	100	71%
3 BR / 60% AMI / family	137	-5	0	132	70	90	121%
4 BR / 60% AMI / family	58	1	0	59	12	0	20%

FAMILY DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst	p. 105	34,872	98% 34,046		6% 2,141	52%	1,109		
Underwriter		100% 35,019	98% 34,189	19% 6,526	41% 2,650	52%	1,373		
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst	p. 105		147	98% 144	6% 9	100%	9		
Underwriter			98% 164	19% 31	41% 12	100%	12		
DEMAND from Section 8 Vouchers									
Market Analyst	p. 105						397		
Underwriter							563		

INCLUSIVE CAPTURE RATE (Family)						
	Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 106	156	189	0	345	1,515	23%
Underwriter	156	264	0	420	1,948	22%

SENIOR DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 102	30%	21,672	100%	21,672		7%	1,433	39%	562	
Underwriter	22%	21,855	100%	21,855	19%	4,174	36%	1,506	39%	591
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 102		608	30%	183		7%	12		12	
Underwriter			100%	2,256	19%	387	36%	35	100%	13

INCLUSIVE CAPTURE RATE (Seniors)						
	Subject Units	Unstabilized Comparable (PMA)		Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 103	96	0	0	96	574	17%
Underwriter	96	0	0	96	604	16%

Primary Market Occupancy Rates:

"The family PMA comprises 22 apartment complexes with 2,993 units. Roughly 54% of the PMA properties are identified as Class A or Class B properties. In general, the highest occupancy levels were found at the newly completed complexes, including the newer HTC properties that target low-income renters ... There are three Class A properties, with an occupancy of 99%. Class B properties have an average occupancy of 94.33%, followed by Class C properties at 94.17%." (P. 55)

"There have been three seniors apartment complexes built in Amarillo over the last ten years. Talmage/Plemons Court is a 156-unit rent-restricted property that also contains market-rate units. Bivins Village is a 60-unit HUD property that is fully income-restricted, and allows only seniors over 65. Craig Methodist is a full-service independent living apartment complex attached to an assisted living health-care facility. The property is a market-rate property and monthly rental rates include meals, transportation, group activated, etc ... Both rent-restricted senior properties have been highly successful. Talmage leased up to fully occupied within six months. Average occupancy at the property is currently 98%. Similarly, Bivins Village leased up rapidly and has maintained a waiting list since opening in 2002." (pp. 55-57)

Absorption Projections:

"The new properties in the area, particularly HTC projects, lease-up rapidly and demonstrate strong occupancy levels, as they are of new construction and typically offer many amenities not found in older properties. With continued demand and little new construction, the supply of available apartment product is relatively low. This trend is expected to continue, which will likely result in occupancies increasing even further in the area." (p. 57)

"Considering the strong absorption history of properties in the market area and the need for quality affordable seniors units in this market, we project that the subject property's senior units will achieve stabilized occupancy within 10 to 12 months after pre-leasing begins. As for the family units, we project that the subject property will achieve stabilized occupancy within 9 to 12 months after pre-leasing begins." (p. 18)

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
ELDERLY PHASE								
1 BR	708 SF	LH	\$371	\$371	\$651	\$371	\$280	
1 BR	708 SF	60%	\$492	\$492	\$651	\$492	\$159	
2 BR	1,010 SF	60%	\$587	\$587	\$826	\$587	\$239	
2 BR	1,140 SF	60%	\$587	\$587	\$894	\$587	\$307	
2 BR	1,140 SF	LH	\$463	\$463	\$894	\$463	\$431	
FAMILY PHASE								
2 BR	1,031 SF	60%	\$587	\$587	\$730	\$587	\$143	
3 BR	1,215 SF	HH	\$658	\$658	\$865	\$658	\$207	
3 BR	1,215 SF	60%	\$673	\$673	\$865	\$673	\$192	
4 BR	1,366 SF	60%	\$734	\$734	\$950	\$734	\$216	

Market Impact:

"Based on the high occupancy levels of the existing properties in the market and the unit mix of the subject, we project that it 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. 18)

Comments:

The subject property is located at the northern edge of the City of Amarillo. This leads to somewhat unusual market area configurations, particularly the family market area, with the subject literally on the boundary of the PMA. However, all comparable competing properties, and the vast majority of the population, appear to be located to the south. Therefore, the Market Analyst's designated Primary Market Areas appear to be reasonable. The market study provided 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 projected income is based on maximum HTC and HOME program rents, adjusted for utility allowances provided by the City of Amarillo. The Applicant has included secondary income of \$13.40 per unit per month from application fees, laundry, vending, cable, and telephone. The Applicant has also included an average \$6.60 per unit per month in garage and carport rental income; however, the Applicant failed to substantiate that this additional rental income is achievable. Aside from the garage and carport rental, the Applicant's projected income is consistent with the underwriting estimates.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected total annual operating expense of \$3,115 per unit is 4% less than the underwriting estimate of \$3,252 derived from the TDHCA database, IREM, and other sources. Line items with the most significant variances include general and administrative expense (the Applicant's projection is \$38K less than the underwriting estimate) and repairs and maintenance (the Applicant's projection is lower by \$35K). Utilities (electric and natural gas) are projected at \$24K less than underwriting, but water, sewer, and trash are projected at \$41K more, for a net variance of \$17K. The Owner of the General Partner of the Applicant, the Panhandle Regional Housing Finance Corp., is a tax-exempt organization. The Applicant has indicated that "the HFC will own the property and lease it to the partnership under a capital lease structure", thereby eliminating any property tax liability. This report is conditioned on receipt, review, and acceptance, by closing, of documentation that the HFC has acquired the property and executed a lease to the Applicant.

Conclusion:

The Applicant's projected effective gross income and total annual operating expense are each within 5% of underwriting estimates. Had the Applicant been able to substantiate that garage and carport rental income is achievable in this market, the Applicant's net operating income (NOI) would be within 5% of the underwriting estimate; however, the underwriting estimate of NOI without including this additional income is 5.4% lower than the Applicant's NOI. The underwriting figures will therefore be used to determine debt capacity. The underwriting NOI combined with the proposed financing provides a debt coverage ratio of 1.11, below the guideline minimum of 1.15. The recommended financing structure will therefore assume a reduction in the total debt amount. This will be discussed further in the Financing Structure and Conclusions sections below.

Feasibility:

The underwriting estimates for income and expenses, and the recommended financing structure, are used to create a 30-year proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and debt coverage that remains above 1.15; the project can therefore be considered financially feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Steve Rogers Company Date: 8/6/2007
Number of Revisions: 0 Date of Last Applicant Revision: N/A
Land Only: 19.8 acres \$160,000 As of: 8/6/2007

ASSESSED VALUE

Land Only: 19.79 acres \$29,685 Tax Year: 2007
Existing Buildings: N/A Valuation by: Potter-Randle County CAD
Total Assessed Value: \$29,685 Tax Rate: 2.22288

EVIDENCE of PROPERTY CONTROL

Type: Agreement of Sale and Purchase Acreage: 19.79
Contract Expiration: 1/31/2008 Valid Through Board Date? [X] Yes [] No
Acquisition Cost: \$204,000 Other:
Seller: Stuart Shaw Family Partnership Related to Development Team? [X] Yes [] No

Comments:

The Stuart Shaw Family Partnership (SSFP), a related party, purchased the property from William Max Krause on 8/17/07 for \$150,000. The Applicant plans to acquire the property from SSFP for \$150,000 plus \$54,000 in holding costs documented by Mr. Shaw. These costs include almost \$30,000 in surveying costs and \$15,000 for a Floodplain Study and Channel Improvement Plans. Mr. Shaw has indicated that these costs were required as a result of the topology of the site, with a natural drainage easement bisecting the property.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 10/30/2007

Acquisition Value:

As discussed above, the Stuart Shaw Family Partnership (SSFP), a related party, acquired the site in August 2007; SSFP will transfer title to the Applicant for the original \$150,000 price plus \$54,000 in documented holding costs (\$204,000).

The transfer price of \$204K is not supported by the appraisal submitted. However, the appraisal (dated 8/6/2007) supports the original transfer price of \$150,000 and appears to have been performed prior to the documented holding costs being incurred. The appraisal also contemplates an "as entitled" value of \$200,000 assuming the correct zoning for multifamily and site plan approval by the City. It is unclear if the City has approved the site plan, but the zoning for the site does permit the proposed development based on a zoning letter submitted with the application.

The Applicant has claimed the following holding costs: surveying (\$19,688); Land clearing (\$9,936); Interest on the loan (\$3,221.72); floodplain study (\$15,000); zoning application (487.60); and contract extension fees not applied to the purchase (\$6,000). The holding costs will go toward the improvements proposed in this application and would generally be costs incurred as regular development costs and included in the indirect construction costs, sitework, or financing. As such, the Underwriter has used the contract price of \$204,000 based on the original acquisition being supported by the appraisal and the holding costs being regular costs incurred toward the proposed improvements prior to transfer to the partnership. Of note, the Applicant has also included \$7,500 in closing costs. It appears that the Applicant rounded the transfer price to \$200K plus closing costs, which slightly understates the actual transfer price.

Sitework Cost:

Sitework costs are within the \$9,000 underwriting guideline, therefore no further substantiation is required.

Direct Construction Cost:

The Applicant's projected direct construction cost of \$14 million is 8% higher than the underwriting estimate of \$13 million. The Applicant indicated that direct construction costs were estimated as the weighted average of their last three projects, which are located in Houston and Georgetown. The Applicant suggested that it may be necessary to bring in subcontractors from a larger market such as Dallas or Oklahoma City in order to comply with the requirements of the Davis-Bacon Act.

Ineligible Costs:

Ineligible costs include \$165,000 for construction of garages and carports. The underwriting estimate for the garage and carport cost is \$93K, which is 71K less than estimated by the Applicant. Therefore, the Applicant's total ineligible cost of \$1 million is 8% higher than the underwriting estimate of \$934K.

Interim Interest Expense:

The Applicant's projected interim interest expense was adjusted down from \$730K to \$710K, allowing for one year of fully drawn interest. The difference was included as ineligible cost.

Contingency & Fees:

The Applicant's claimed developer fee exceeded the eligibility limit by \$4K; the fee was reduced by this amount, which was included with ineligible cost.

Conclusion:

The Applicant's projected total development cost of \$26.3 million is more than 5% greater than the underwriting estimate of \$24.7 million. The underwriting estimate will therefore be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$23,073,131 is increased by 30% because the site is located in a Qualified Census Tract. The resulting adjusted basis of \$29,995,070 supports a tax credit allocation of \$1,100,819. This amount will be compared to the Applicant's requested allocation, and the amount determined by the gap in financing, to determine a recommendation.

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FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 10/30/2007

Issuer: Panhandle Housing Finance Corp.
 Source: Wachovia Securities Type: Interim to Permanent Bond Financing

Tax-Exempt: \$13,037,000 Interest Rate: 5.42% Fixed Amort: 480 months

Comments:

In addition to the fixed interest rate, the financing will carry an issuer fee of 0.10% and an annual trustee fee of \$5,000. The stated interest rate appears to be significantly below the current market for fixed rate transactions and is likely to be a synthetic fixed rate created by combining a variable rate and a swap or cap. No additional information on the interest rate/structure was provided. If the quoted rate is not ultimately achieved a re-evaluation of the development's financial feasibility will be necessary.

Source: City of Amarillo HOME funds Type: Cash Flow Loan

Principal: \$1,000,200 Conditions: _____

Comments:

The Applicant has applied to the City of Amarillo for a HOME loan in the amount of \$1,000,200, at zero percent interest and repayment subject to cash flow. The letter from the Community Development Administrator of Amarillo states "the HOME fund loan will, assuming compliance with the HOME contract, be forgiven in 20 years." This structure presents the possibility the funding could be considered a grant, which would then reduce the eligible basis of the development and possibly the allowable tax credits

Source: RBC / Apollo Capital Type: Syndication

Proceeds: \$10,595,436 Syndication Rate: 95% Anticipated HTC: \$ 1,125,160

Amount: \$1,680,215 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, the current underwriting analysis assumes a decrease in the permanent loan amount to \$12,618,566 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the permanent loan of \$12,618,566 and \$1,000,200 in HOME funds indicates the need for \$11,101,232 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,178,872 annually would be required to fill this gap in financing. The three possible allocation amounts are therefore:

Applicant's requested tax credit allocation:	<u>\$1,168,935</u>
Allocation amount determined by Eligible Basis:	<u>\$1,100,819</u>
Allocation amount determined by Gap in Financing:	<u>\$1,178,872</u>

The allocation amount determined by Eligible Basis is the least of the three, and is therefore recommended. An annual allocation of \$1,100,819 in tax credits for ten years results in syndication proceeds of \$10,366,222 at a syndication rate of 95%.

The Underwriter's recommended financing structure indicates the need for \$735,011 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within five years of stabilized operation.

Underwriter:	<u>Thomas Cavanagh</u>	Date:	<u>12/12/2007</u>
Reviewing Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>12/12/2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>12/12/2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Jason Avenue Residential, Amarillo, 4% HTC #07439

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
ELDERLY PHASE										
TC 60%/LH	2	1	1	708	\$461	\$371	\$742	\$0.52	\$90.00	\$35.00
TC 60%	48	1	1	708	582	492	23,616	0.69	90.00	\$35.00
TC 60%	42	2	2	1,010	699	587	24,654	0.58	112.00	\$37.00
TC 60%	2	2	2	1,140	699	587	1,174	0.51	112.00	\$37.00
TC 60%/LH	2	2	2	1,140	575	463	926	0.41	112.00	\$37.00
FAMILY PHASE										
TC 60%	60	2	2	1,031	699	587	35,220	0.57	112.00	\$37.00
TC 60%/HH	10	3	2	1,215	792	658	6,580	0.54	134.00	\$42.00
TC 60%	70	3	2	1,215	807	673	47,110	0.55	134.00	\$42.00
TC 60%	16	4	2	1,366	901	734	11,744	0.54	167.00	\$47.00
TOTAL:	252		AVERAGE:	1,045		\$602	\$151,766	\$0.58	\$118.11	\$38.83

INCOME		Total Net Rentable Sq Ft:			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			<u>263,296</u>		\$1,821,192	\$1,822,032	Potter		1
fees, laundry, vending, cable, phone		Per Unit Per Month:	\$15.00		45,360	40,536	\$13.40	Per Unit Per Month	
garage & carport					0	19,944	\$6.60	Per Unit Per Month	
POTENTIAL GROSS INCOME					\$1,866,552	\$1,882,512			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(139,991)	(141,192)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$1,726,561	\$1,741,320			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.80%	\$329	0.31	\$82,826	\$45,050	\$0.17	\$179	2.59%
Management	3.88%	266	0.25	67,021	69,653	0.26	276	4.00%
Payroll & Payroll Tax	14.50%	993	0.95	250,351	271,003	1.03	1,075	15.56%
Repairs & Maintenance	7.49%	513	0.49	129,291	94,220	0.36	374	5.41%
Utilities	3.82%	261	0.25	65,887	42,300	0.16	168	2.43%
Water, Sewer, & Trash	3.73%	256	0.24	64,417	105,900	0.40	420	6.08%
Property Insurance	3.81%	261	0.25	65,855	63,000	0.24	250	3.62%
Property Tax	2.22288	0.00%	0	0	0	0.00	0	0.00%
Reserve for Replacements	3.65%	250	0.24	63,000	63,000	0.24	250	3.62%
TDHCA Compliance Fees	0.58%	40	0.04	10,080	10,080	0.04	40	0.58%
Other: support serv/security	1.20%	82	0.08	20,700	20,700	0.08	82	1.19%
TOTAL EXPENSES	47.46%	\$3,252	\$3.11	\$819,427	\$784,906	\$2.98	\$3,115	45.08%
NET OPERATING INC	52.54%	\$3,600	\$3.45	\$907,133	\$956,414	\$3.63	\$3,795	54.92%

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
Wachovia	46.88%	\$3,212	\$3.07	\$809,341	\$819,838	\$3.11	\$3,253	47.08%
City of Amarillo HOME funds	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	5.66%	\$388	\$0.37	\$97,792	\$136,576	\$0.52	\$542	7.84%
AGGREGATE DEBT COVERAGE RATIO				1.12	1.17			
RECOMMENDED DEBT COVERAGE RATIO				1.15				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		0.86%	\$839	\$0.80	\$211,500	\$207,500	\$0.79	\$823	0.79%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.17%	8,995	8.61	2,266,739	2,266,739	8.61	8,995	8.63%
Direct Construction		52.41%	51,413	49.21	12,956,004	14,030,840	53.29	55,678	53.42%
Contingency	5.00%	3.08%	3,020	2.89	761,137	814,879	3.09	3,234	3.10%
Contractor's Fees	14.00%	8.62%	8,457	8.09	2,131,184	2,281,662	8.67	9,054	8.69%
Indirect Construction		3.57%	3,501	3.35	882,250	882,250	3.35	3,501	3.36%
Ineligible Costs		3.78%	3,707	3.55	934,182	1,005,946	3.82	3,992	3.83%
Developer's Fees	15.00%	12.17%	11,943	11.43	3,009,539	3,205,569	12.17	12,721	12.21%
Interim Financing		4.31%	4,231	4.05	1,066,278	1,066,278	4.05	4,231	4.06%
Reserves		2.03%	1,989	1.90	501,186	501,186	1.90	1,989	1.91%
TOTAL COST		100.00%	\$98,095	\$93.89	\$24,719,999	\$26,262,849	\$99.75	\$104,218	100.00%
Construction Cost Recap		73.28%	\$71,885	\$68.80	\$18,115,064	\$19,394,120	\$73.66	\$76,961	73.85%

SOURCES OF FUNDS					RECOMMENDED		
Wachovia	52.74%	\$51,734	\$49.51	\$13,037,000	\$13,037,000	\$12,618,566	Developer Fee Available
City of Amarillo HOME funds	4.05%	\$3,969	\$3.80	1,000,200	1,000,200	1,000,200	\$3,201,397
RBC/Apollo	42.86%	\$42,045	\$40.24	10,595,436	10,595,436	10,366,222	% of Dev. Fee Deferred
Deferred Developer Fees	6.80%	\$6,668	\$6.38	1,680,215	1,680,215	0	0%
Additional (Excess) Funds Req'd	-6.44%	(\$6,321)	(\$6.05)	(1,592,852)	(50,002)	735,011	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$24,719,999	\$26,262,849	\$24,719,999	\$3,869,279

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Jason Avenue Residential, Amarillo, 4% HTC #07439

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$53.44	\$14,069,616
Adjustments				
Exterior Wall Finish	0.80%		\$0.43	\$112,557
Elderly	0.99%		0.53	139,144
9-Ft. Ceilings	3.10%		1.66	436,158
Elevators	\$52,750	2	0.40	105,500
Subfloor			(0.90)	(236,669)
Floor Cover			2.43	639,809
Breezeways/Balconies	\$22.10	42,848	3.60	947,057
Plumbing Fixtures	\$805	601	1.84	483,805
Rough-ins	\$400	252	0.38	100,800
Built-In Appliances	\$1,850	252	1.77	466,200
Exterior Stairs	\$1,800	72	0.49	129,600
Carports	\$10.15	6300	0.24	63,945
Heating/Cooling			1.90	500,262
Garages	\$18.06	4,000	0.27	72,252
Comm &/or Aux Bldgs	\$56.47	10,310	2.21	582,187
Other: fire sprinkler	\$1.95	263,296	1.95	513,427
SUBTOTAL			72.64	19,125,650
Current Cost Multiplier	0.98		(1.45)	(382,513)
Local Multiplier	0.86		(10.17)	(2,677,591)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.02	\$16,065,546
Plans, specs, survy, bld prm	3.90%		(\$2.38)	(\$626,556)
Interim Construction Interest	3.38%		(2.06)	(542,212)
Contractor's OH & Profit	11.50%		(7.02)	(1,847,538)
NET DIRECT CONSTRUCTION COSTS			\$49.56	\$13,049,240

PAYMENT COMPUTATION

Primary	\$13,037,000	Amort	480
Int Rate	5.52%	DCR	1.12

Secondary	\$1,000,200	Amort	
Int Rate		Subtotal DCR	1.12

Additional	\$10,595,436	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$783,365
Trustee Annual Fee	5,000
Additional Debt Service	0
NET CASH FLOW	\$118,768

Primary	\$12,618,566	Amort	480
Int Rate	5.52%	DCR	1.16

Secondary	\$1,000,200	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$10,595,436	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

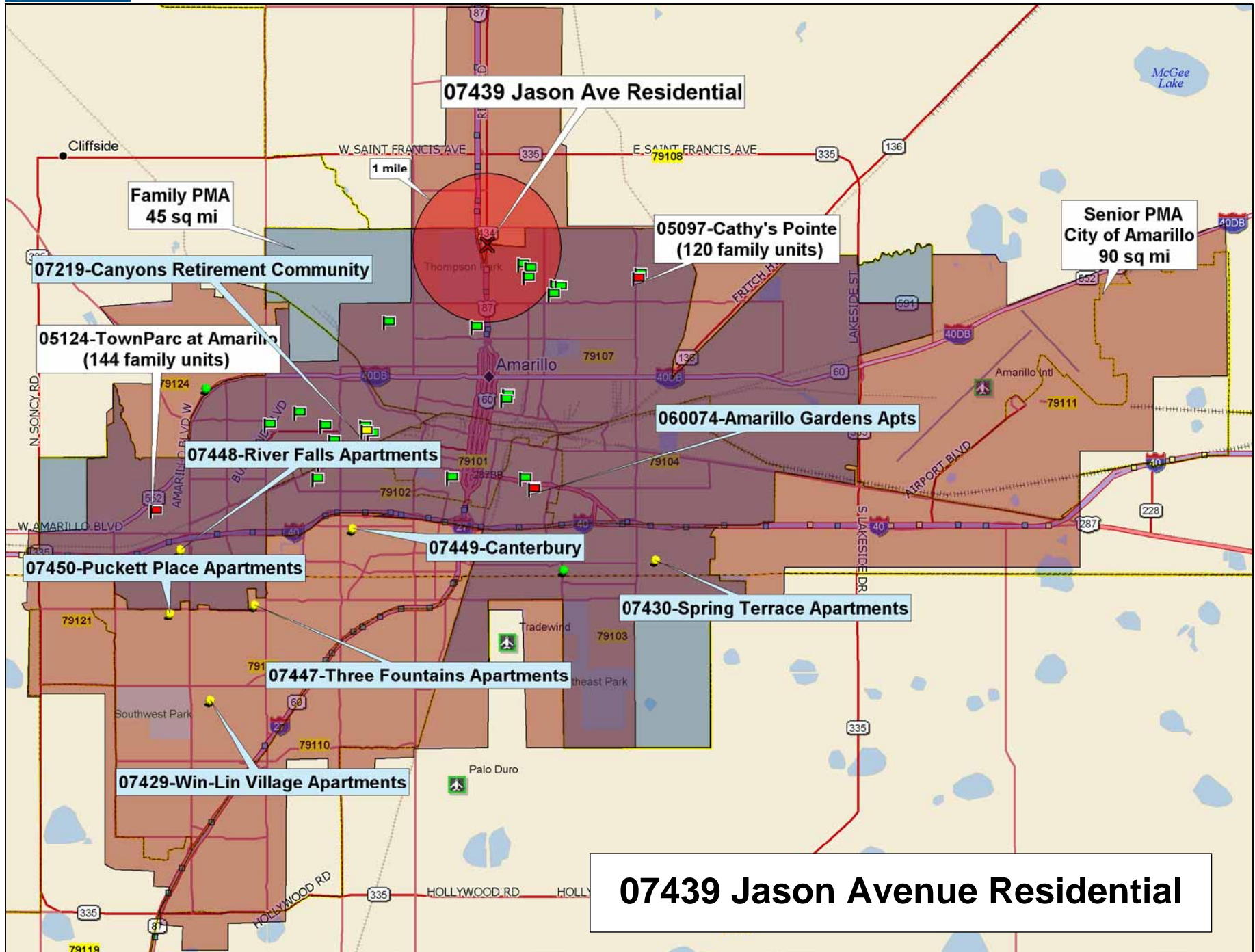
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,821,192	\$1,875,828	\$1,932,103	\$1,990,066	\$2,049,768	\$2,376,242	\$2,754,716	\$3,193,471	\$4,291,758
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
garage & carport	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,866,552	1,922,549	1,980,225	2,039,632	2,100,821	2,435,427	2,823,327	3,273,010	4,398,652
Vacancy & Collection Loss	(139,991)	(144,191)	(148,517)	(152,972)	(157,562)	(182,657)	(211,750)	(245,476)	(329,899)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,726,561	\$1,778,357	\$1,831,708	\$1,886,659	\$1,943,259	\$2,252,770	\$2,611,578	\$3,027,534	\$4,068,753
EXPENSES at 4.00%									
General & Administrative	\$82,826	\$86,139	\$89,584	\$93,168	\$96,894	\$117,887	\$143,427	\$174,501	\$258,304
Management	67,021	69,031	71,102	73,236	75,433	87,447	101,375	117,521	157,939
Payroll & Payroll Tax	250,351	260,365	270,779	281,611	292,875	356,327	433,526	527,451	780,757
Repairs & Maintenance	129,291	134,463	139,841	145,435	151,252	184,021	223,890	272,397	403,213
Utilities	65,887	68,522	71,263	74,114	77,078	93,778	114,095	138,814	205,478
Water, Sewer & Trash	64,417	66,994	69,674	72,461	75,359	91,686	111,550	135,717	200,895
Insurance	65,855	68,490	71,229	74,078	77,041	93,733	114,040	138,747	205,380
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	63,000	65,520	68,141	70,866	73,701	89,669	109,096	132,731	196,475
Other	30,780	32,011	33,292	34,623	36,008	43,810	53,301	64,849	95,992
TOTAL EXPENSES	\$819,427	\$851,534	\$884,905	\$919,591	\$955,642	\$1,158,356	\$1,404,300	\$1,702,729	\$2,504,433
NET OPERATING INCOME	\$907,133	\$926,823	\$946,803	\$967,069	\$987,617	\$1,094,414	\$1,207,278	\$1,324,806	\$1,564,320
DEBT SERVICE									
First Lien Financing	\$783,365	\$783,365	\$783,365	\$783,365	\$783,365	\$783,365	\$783,365	\$783,365	\$783,365
Second Lien	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$118,768	\$138,458	\$158,438	\$178,704	\$199,252	\$306,049	\$418,913	\$536,441	\$775,955
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.25	1.39	1.53	1.68	1.98

HTC ALLOCATION ANALYSIS -Jason Avenue Residential, Amarillo, 4% HTC #07439

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$207,500	\$211,500		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$2,266,739	\$2,266,739	\$2,266,739	\$2,266,739
Construction Hard Costs	\$14,030,840	\$12,956,004	\$14,030,840	\$12,956,004
Contractor Fees	\$2,281,662	\$2,131,184	\$2,281,661	\$2,131,184
Contingencies	\$814,879	\$761,137	\$814,879	\$761,137
Eligible Indirect Fees	\$882,250	\$882,250	\$882,250	\$882,250
Eligible Financing Fees	\$1,066,278	\$1,066,278	\$1,066,278	\$1,066,278
All Ineligible Costs	\$1,005,946	\$934,182		
Developer Fees			\$3,201,397	
Developer Fees	\$3,205,569	\$3,009,539		\$3,009,539
Development Reserves	\$501,186	\$501,186		
TOTAL DEVELOPMENT COSTS	\$26,262,849	\$24,719,999	\$24,544,044	\$23,073,131

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		\$24,544,044	\$23,073,131
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$31,907,257	\$29,995,070
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$31,907,257	\$29,995,070
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		\$1,170,996	\$1,100,819

Syndication Proceeds	0.9417	\$11,027,069	\$10,366,222
Total Tax Credits (Eligible Basis Method)		\$1,170,996	\$1,100,819
Syndication Proceeds		\$11,027,069	\$10,366,222
Requested Tax Credits		\$1,168,935	
Syndication Proceeds		\$11,007,658	
Gap of Syndication Proceeds Needed			\$11,101,232
Total Tax Credits (Gap Method)			\$1,178,872



07439 Jason Avenue Residential

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www.delorme.com

Applicant Evaluation

Project ID # **07439**

Name: **Jason Avenue Residential**

City: **Amarillo**

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: 2

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 2
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 2
 # not yet monitored or pending review: 3

Projects not reported Yes
 in application No
 # of projects not reported 0

Contract Monitoring

Single Audit

Monitoring review not applicable
 Review found no unresolved issues
 HOME RHD outstanding monitoring issues
 Audit finding or questioned/disallowed costs -
 in corrective action period
 Unresolved audit finding or questioned/
 disallowed costs (comments attached)

Single audit review not applicable
 Single audit review found no unresolved issues
 Late certification (comments attached)
 Past due single audit or unresolved single
 audit issue (comments attached)

Reviewer: Wendy Quackenbush Date 12/12/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 11/28/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Lora Lange
 Date 12/12/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 12/12/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer AMO
 Date 12/12/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Robert Stevenson
 Date 12/12/2007

Financial Administration

No delinquencies found
 Delinquencies found
 (Comments attached)

Reviewer Stephanie A. D'Couito
 Date 12/12/2007

**MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 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 Encinal Apartments, #07454.

Summary of the Transaction

Background and General Information: The application was received on August 15, 2007. The Issuer for this Priority 2 transaction is Bexar County HFC with a reservation of allocation that expires on January 12, 2008. The development proposes the acquisition and rehabilitation of 201 total units targeting the family population. The development is proposed for the City of San Antonio, Bexar County and 100% of the units are proposed to be restricted at 60% of AMFI. The site is currently zoned for such a development.

Staff notes that according to §49.12(a)(2) of the 2007 Qualified Allocation Plan “any outstanding documentation required under this section must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested.” The Applicant violated this rule by failing to submit a Market Study that conformed to the Department’s guidelines by the 60 day deadline. The original market study was submitted by the required deadline; however, the market analyst was not on the Department’s approved list. Subsequent to the initial submission several revisions of the market study were submitted that did not conform to the Department’s guidelines.

Organizational Structure and Compliance: The Borrower is SAAHC Encinal Apartments, LP and the General Partner is SAAHC Encinal Apartments GP, LLC. The Compliance Status Summary has not been completed at the time of Board posting. Staff will update the Board on any outstanding compliance issues at the Board meeting.

Census Demographics: The development is located at 444 Utopia Lane in San Antonio. Demographics for the census tract (1411) include AMFI of \$34,443; the total population is 7,226; the percent of population that is minority is 76.03%; the percent of population that is below the poverty line is 27.25%; the number of owner occupied units is 1,091; the number of renter units is 1,484 and the number of vacant units is 208. The percentage of population that is minority for the entire City of San Antonio is 68% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support and no letters of opposition.

Recommendation

Staff recommends the Board deny the issuance of a Determination Notice of \$484,254 in Housing Tax Credits for Encinal Apartments for violation of the 60 day requirement as stated in §49.12(a)(2) of the 2007 Qualified Allocation Plan and due to concerns in the capture rate as discussed in the Real Estate Analysis Report included in this presentation.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Encinal Apartments, TDHCA Number 07454

BASIC DEVELOPMENT INFORMATION

Site Address: 444 Utopia Lane Development #: 07454
 City: San Antonio Region: 9 Population Served: Family
 County: Bexar Zip Code: 78223 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: ACQ/R
 Bond Issuer: Bexar County HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: SAAHC Encinal Apartments, LP
 Owner Contact and Phone: Rod Radle (210) 224-2349
 Developer: San Antonio Alternative Housing Corporation
 Housing General Contractor: Concept Builders
 Architect: Hardy & Associates
 Market Analyst: Integra
 Syndicator: WNC
 Supportive Services: San Antonio Alternative Housing Corporation
 Consultant: Not Utilized

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	201
0	0	0	201	0	125	76	0	0	0	Market Rate Units:	0
Type of Building: <input checked="" type="checkbox"/> 4 units or more per building Owner/Employee Units: 0											
<input type="checkbox"/> Duplex	<input type="checkbox"/> Detached Residence									Total Development Units:	201
<input type="checkbox"/> Triplex	<input type="checkbox"/> Single Room Occupancy									Total Development Cost:	\$12,357,628
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Transitional									Number of Residential Buildings:	28
<input type="checkbox"/> Townhome											
HOME High Total Units: 0											
HOME Low Total Units: 0											

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$484,254	\$0	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Encinal Apartments, TDHCA Number 07454

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Uresti, District 19	NC	US Representative: Rodriguez, District 23, NC
TX Representative: Puente, District 119	NC	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Phil Hardberger, Mayor, City of San Antonio - NC Resolution of Support from Local Government

Individuals/Businesses: In Support **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Not recommended due to the following: The Applicant violated Section 49.12(a) (2) of the 2007 QAP regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made, by failing to submit a Market Study conforming to the Department's guidelines by the 60 day deadline.

In addition the Market Analyst's correct calculation of the inclusive capture rate considering only the vacant units at the subject, and unstabilized comparable units exceeds the Department limit pursuant to 10 TAC Section 1.32(i)(1). Moreover the Underwriter's independent HISTA based inclusive capture rate exceeds the 25% limit in 10 TAC Section 1.32(i)(1) when all the units in the subject as well as the comparable unstabilized units in the primary market area are considered.

Should the Board approve this award, the Board may waive its rule for the issue listed above, accept information provided by the Applicant to mitigate these issues and such an award should be conditioned upon the following:

1. 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")."
2. A 4% HTC allocation not to exceed \$484,254 annually for ten years.
3. Receipt, review and acceptance of documentation that a comprehensive asbestos survey conforming to Texas Department of Health (TDH) requirements will be completed and recommendations and protocols followed prior to and during any remodeling or demolition at the site.
4. Receipt, review and acceptance of documentation prior to closing from the ESA provider that testing for lead-based paint is or is not required pursuant to local, state and federal laws for this property which was originally built in 1970.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Encinal Apartments, TDHCA Number 07454

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

4% Housing Tax Credits:	Credit Amount:	\$0
Recommendation:		
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: 12/13/07 PROGRAM: 4% HTC FILE NUMBER: 07454

DEVELOPMENT

Encinal Apartments

Location: 444 Utopia Lane Region: 9
 City: San Antonio County: Bexar Zip: 78223 QCT DDA
 Key Attributes: Family, Acquisition/Rehab, Non-Profit, Urban/Exurban and Multifamily

ALLOCATION

	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
TDHCA Program						
Housing Tax Credit (Annual)	\$484,254			\$0		

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:
 The Applicant violated Section 49.12(a)(2) of the 2007 QAP regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made, by failing to submit a Market Study conforming to the Department's guidelines by the 60 day deadline.

In addition, the Market Analyst's corrected calculation of the inclusive capture rate, considering only the vacant units at the subject and unstabilized comparable units in the primary market area, exceeds the Department limit pursuant to 10 TAC Section 1.32(i)(1). Moreover, the Underwriter's independent HISTA-based inclusive capture rate exceeds the 25% limit in 10 TAC Section 1.32(i)(1) when all the units in the subject as well as the comparable unstabilized units in the primary market area are considered.

CONDITIONS

SHOULD THE BOARD WAIVE THE ABOVE RULES AND APPROVE THIS APPLICATION, SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 4% HTC allocation not to exceed \$484,254 annually for ten years.
- 2 Receipt, review and acceptance of documentation that a comprehensive asbestos survey conforming to Texas Department of Health (TDH) requirements will be completed and recommendations and protocols followed prior to and during any remodeling or demolition at the site.
- 3 Receipt, review and acceptance of documentation prior to closing from the ESA provider that testing for lead-based paint is or is not required pursuant to local, state and federal laws for this property which was originally built in 1970.
- 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 and or 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	201

PROS

- The proposed development will provide for the rehabilitation of a 37 year old property

CONS

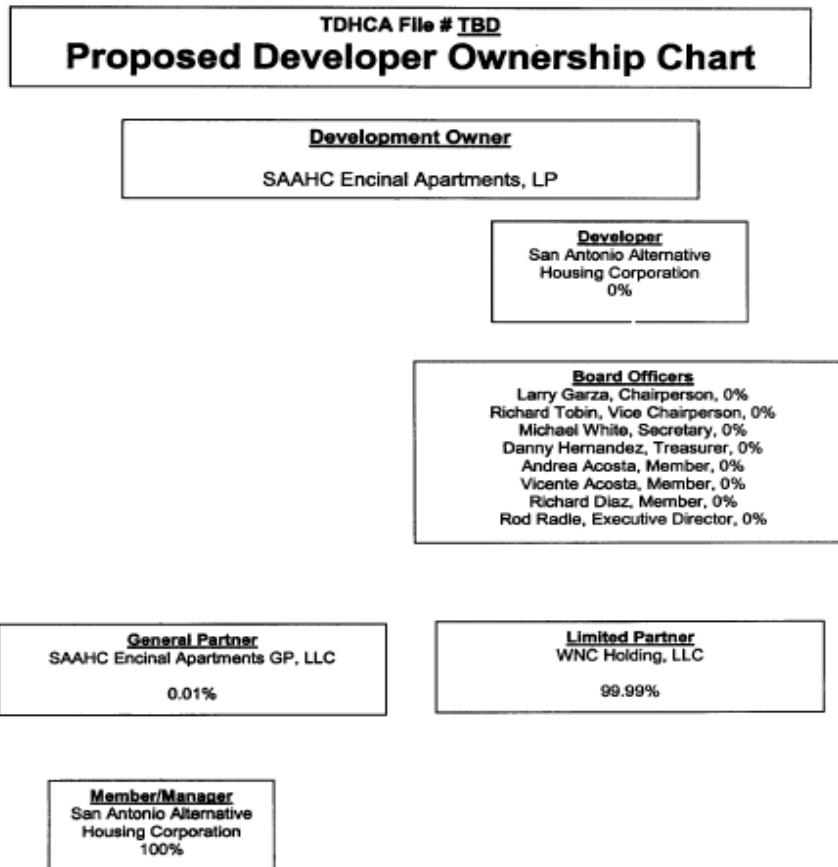
- The existing units are significantly smaller than the average comparable new units being developed with tax credits in the market .
- The large number of vacant units may be difficult to get leased given the high capture rate for the primary market area.
- The seller is a related entity to the applicant and is providing necessary seller financing to support the marginal feasibility of the development.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Rod Radle Phone: (210) 224-2349 Fax: (210) 224-9686
 Email: rodr@saahc.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
San Antonio Alternative Housing Corpor	\$4,848,618	(\$7,312,749)	Certificate of Experience

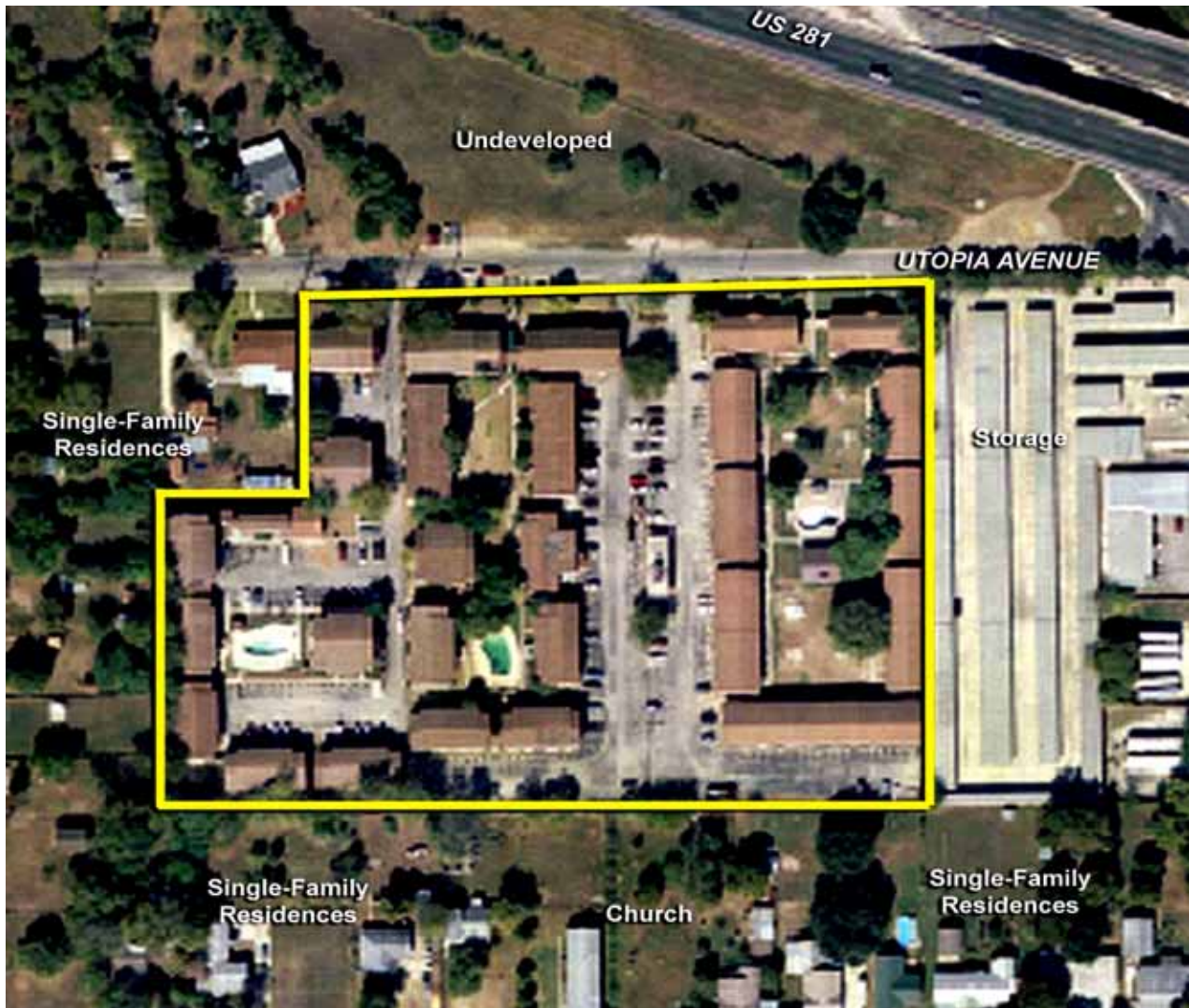
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The seller is a related party due to their 100% interest and control in the general partner of the applicant and the proposed ten year deferred principal and interest seller financing.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G	H	I	J	K	L	M	Total Buildings 28
Floors/Stories	2	2	2	2	2	2	2	2	2	2	2	2	2	
Number	2	2	3	4	3	2	1	2	4	2	1	1	1	

BR/BA	SF	Units												Total Units	Total SF		
1/1	518					8	2							1		29	15,022
1/1	574				8									1		33	18,942
1/1	600			8									6	1		31	18,600
1/1	667								8							32	21,344
2/1	837	2					4									12	10,044
2/1	918									8	12					28	25,704
2/1	925	4	8					4								28	25,900
2/1	1,001								4							8	8,008
Units per Building		12	16	24	32	24	12	4	8	32	16	12	8	1		201	143,564

Rehabilitation summary:

The property is a 201-unit development originally constructed in 1970 that is comprised of 28 two story residential buildings and a management and leasing office and three laundry rooms. The rehabilitation plan calls for the replacement/ refurbishment of roofs, windows, doors, kitchen appliances, resilient flooring, cabinets including countertops, HVAC, plumbing, landscaping, drives and parking, ADA compliance, security camera system, and interior and exterior painting.

Relocation Plan:

The scope of the repairs do not require a temporary or permanent relocation of the residents on a building by building basis. The Applicant has indicated that they have not been actively leasing to new households in order to minimize displacement during the rehabilitation.

SITE ISSUES

Total Size: 7.19 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MF-33 Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 9/13/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Vacant Land East: Self-Storage Facility
 South: Single-Family Residential West: Single-Family Residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: AMEC Earth & Environmental, Inc.

Date: 8/1/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "No screening for the presence of asbestos-containing building materials (ACMs) was conducted during this assessment. Based on a construction dates from the 1960s to 1970s for the complex, it is reasonable to believe that ACM's may exist in some building elements. A comprehensive asbestos survey conforming to Texas Department of Health (TDH) requirements will be required prior to any remodeling or demolition at the site." (Item 4.3)

Comments:

"No obvious evidence of recognized environmental conditions was identified during this assessment and no further activities are recommended." (Item 6.0)

This report will be conditioned upon receipt, review and acceptance of documentation that a comprehensive asbestos survey conforming to Texas Department of Health (TDH) requirements will be completed and recommendations and protocols followed prior to and during any remodeling or demolition at the site.

Additionally, the report contained no discussion of the need for lead based paint testing despite the likelihood of such a need given the age of the property. Therefore receipt, review and acceptance of documentation from the ESA provider that testing for lead-based paint is or is not required pursuant to local, state and federal laws for this property which was originally built in 1970 is a condition of this report.

MARKET HIGHLIGHTS

Provider: Joseph J. Blake and Associates, Inc.

Date: 9/20/2007

Contact: Arturo Singer

Phone: (214) 969-7477

Fax: (214) 969-7495

Number of Revisions: 3

Date of Last Applicant Revision: 12/3/2007

The market study submitted by the Applicant was prepared by a Market Analyst firm which had not produced a study for TDHCA in several years and is not on the Approved List of Market Analysts as maintained by the Department. The Department received the market study for initial review on October 30, 2007 which is less than 60 days before the anticipated December Board meeting date, but potentially would have been in time for a January Board meeting date, had one been scheduled early enough to satisfy the deadline of the expiration of the bond reservation. The market study initially provided was prepared for the lender and did not adhere to the current TDHCA guidelines. On November 8, 2007 the Department provided the Market Analyst a letter detailing the numerous areas of deficiencies relative to the Real Estate Analysis Rules and Guidelines.

A revised market study was provided to the Department on November 16, 2007. The revised study still failed to conform to the guidelines in significant ways. For example, the eligible income range and demand were overstated, and unstabilized comparable supply was not considered in the analyst's revision. The Underwriter's analysis of the demographic data provided in the market study identified an inclusive capture rate well above 100%. In response, the Market Analyst determined that the only way to be within the Department's inclusive capture rate requirement was to expand the primary market area. A significant revision to the PMA is generally considered a major change to the application package. The Market Analyst's new information most clearly violates the 60-day deadline even if an early January Board date had originally been anticipated.

The Market Analyst provided a third revised market study on December 3, 2007 which redefined the Primary Market area and included several additional revisions made to correct the eligible income range and to provide further background on comparable properties. The remainder of these highlights reflect the latest revisions to the Market Analysis.

Primary Market Area (PMA): 41.4 square miles (3.6 miles radius)

"The PMA is defined as that area bounded by Rigsby Road/IH-10 to the north, IH-410 to the east and south and IH-35 to the west." (p. 28)

Secondary Market Area (SMA):

"The secondary market area generally falls within a 5 mile radius of the subject, and includes Zip Codes 78210, 78214, 78221, 78222, 78223, and 78235." (p. 45)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS						
PMA				SMA		
Name	File #	Total Units	Comp Units	N/A		
Mission Del Rio	04488	240	160*			
Costa Almadena	060426	176	96*			

* This only represents 1 & 2 Bedroom Units

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$22,560	\$25,800	\$28,980	\$32,220	\$34,800	\$37,380

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				916	125		14%
2 BR/ 60% Rent Limit				653	76		12%

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 99	32,804		17% 5,511	31% 1,569*	70% 1,098				
Underwriter	100% 32,935	70% 23,088	20% 4,587	31% 1,413	70% 989				
Underwriter HISTA	100% 33,981			2,156	70% 1,509				
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 99	66		18% 12	31% 4	100% 4				
Underwriter		70% 46	20% 9	31% 3	100% 3				
Underwriter HISTA					100% -7				

* The Market Analyst's calculation appears to understate gross demand by 128 households based on the factors provided in the study. Had the factors included in the study been used the gross demand would have been 1,697 and the demand from turnover would have been 1,188.

INCLUSIVE CAPTURE RATE						
	Total Subject Units	Vacant Subject Units	Unstabilized Comparable (PMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 99	201	111	256	367	1,102	33%
Underwriter	201	94	256	350	992	35%
Underwriter HISTA	201	94	256	350	1,502	23%

Comments:

Despite including a turnover percentage, the Market Analyst calculated demand without using the turnover rate and thus overstated demand using total demand of 1,573 rather than demand from households that are expected to be in search of a new residences within a year (1,102 as reflected above). As a result the Market Analyst erroneously concludes an inclusive capture rate of 23.26% with just the vacant units in the subject. The Market Analyst should have concluded a capture rate of 33% based on the 111 units they identified as vacant in the subject. (It should be noted further that using the correct factors mentioned above, the Market Analyst should have concluded an inclusive capture rate of 30.76% using only vacant units.) In either case using the corrected turnover adjusted demand, the Market Analyst's demographics would result in a figure that exceeds the feasibility maximum in 10 TAC 1.32 (i)(1) for TDHCA underwriting of 25%.

The Underwriter also independently acquired demographic data for the revised primary market area. HISTA Data reports provided by Ribbon Demographics offers actual census data for households cross-tabulated according to income, household size, tenure, and age. The HISTA Data for the PMA indicates 2,156 income-eligible, size-appropriate renter households, 53% more than the 1,413 determined by the standard prorata methodology. This additional demand results in an inclusive capture rate of 23%, which is below the maximum, if only the underwriter's estimate of vacant units at the subject are considered. However, the subject is only half occupied and far from the Department's 90% occupancy to be considered stabilized. Therefore, all of the units at the subject should be considered in the unstabilized supply and would result in an inclusive capture rate of 30.4% even with the HISTA data.

Primary Market Occupancy Rates:

"According to Austin Investor Interest, in the subject's South Central (SC) market sector, the overall occupancy rate was 90.28%; 96.9% for Class B properties and 89.83% for Class C properties." (p. 37) The Applicant reports that the subject property is currently 53% occupied.

Absorption Projections:

"When considering only income-eligible tenants, and assuming 20% of the units continue to be occupied by existing tenants, absorption for the subject's units is expected to average 10 to 12 units per month, resulting in a 13.4 to 16.1 month absorption period from the time the units become available, to achieve a 92% stabilized occupancy level." (p. 102)

The revised study identified one approved comparable property (Costa Almadena #060426) and one unstabilized comparable property (Mission del Rio #04488) within the primary market area, with a total of 256 comparable units (considering one- and two-bedroom units only). In addition, Rosemont at Highland Park (fka Clark Pointe #05414) achieved stabilized occupancy in August 2007 and is currently 98% occupied. Although Highland Park has not maintained stabilized occupancy for twelve months, it is located just outside the PMA, and therefore was not included in the supply.

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 475 SF (60%)	\$455	\$604	\$475	\$475	\$0
1 BR 525 SF (60%)	\$485	\$604	\$525	\$525	\$0
1 BR 540 SF (60%)	\$498	\$604	\$540	\$540	\$0
1 BR 555 SF (60%)	\$555	\$604	\$555	\$555	\$0
2 BR 650 SF (60%)	\$650	\$724	\$650	\$650	\$0
2 BR 710 SF (60%)	\$710	\$724	\$710	\$710	\$0
2 BR 720 SF (60%)	\$720	\$724	\$720	\$720	\$0
2 BR 725 SF (60%)	\$724	\$724	\$725	\$724	\$1

Comments:

In cases where a property which is to be acquired and rehabilitated is at or near stabilized occupancy and is expected to remain so, the inclusive capture rate is typically not considered a meaningful tool for estimating demand. In this case, however, the subject property is currently only 53% occupied and will face a significant lease-up challenge with aged and inferior sized units to compete against more modern comparably priced tax credit units. As a result, while no new units are being added to the market, there is a need to fill 94 vacant units at the subject property.

While the final revision to the market study now generally provides the information required in the Department's rules, the Underwriter's review revealed several errors in the Market Analyst's calculations and conclusions. Based upon the data provided by the Market Analyst the inclusive capture rate exceeds 25% regardless of whether all of the subject units or only the vacant units are considered.

The Underwriter completed an independent capture rate calculation and confirmed that the inclusive capture rate exceeds 25%. Therefore and pursuant to 10 TAC 1.32(i)(1), the development is not recommended for funding.

The Applicant violated the 2007 OAP rules regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit a market study that was prepared by a Market Analyst that is not on the Department's approved list and did not meet the Department's guidelines. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 11/1/2007

The Applicant's rent projections are slightly lower than the maximum rents allowed under HTC guidelines. The Underwriter's projected rents were limited by the Market Analyst's market rents by unit type and unit size. The tenants will not be required to pay for any utilities.

The Applicant included \$19.42 per unit in secondary income without substantiation of same whereas the underwriting analysis assumes only the maximum of \$15 per unit per month in secondary income from normal operation. Vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 11/1/2007

The Applicant's total annual operating expense projection of \$4,267 per unit is within 1% of the Underwriter's estimate of \$4,261, derived from the TDHCA database, the development's actual 2006 annual operating expenses, IREM and other sources. The Applicant's budget shows one line item estimate that deviates significantly when compared to the Underwriter's estimate. Specifically, the Applicant's general and administrative expense is \$18K lower than the Underwriter's estimate.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Nonetheless, the Underwriter's proforma provides an estimated debt service capacity which results in a debt coverage ratio (DCR) which is within the current underwriting guideline of 1.15 to 1.35.

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 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 for the long-term.

ACQUISITION INFORMATION**APPRAISED VALUE**

Provider: Joseph J. Blake and Associates, Inc. Date: 9/10/2007
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Land Only: 8.11 acres \$450,000 As of: 9/10/2007
 Existing Buildings: (as-is) \$4,400,000 As of: 9/11/2007
 Total Development: (as-is) \$4,850,000 As of: 9/12/2007

ASSESSED VALUE

Land Only: 7.19 acres \$313,290 Tax Year: 2007
 Existing Buildings: \$3,817,500 Valuation by: Bexar CAD
 Total Assessed Value: \$4,130,790 Tax Rate: 2.55207

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement Acreage: 7.19
 Contract Expiration: 12/21/2007 Valid Through Board Date? Yes No
 Acquisition Cost: \$4,842,195 Other: _____
 Seller: San Antonio Alternative Housing Related to Development Team? Yes No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/1/2007

Acquisition Value:

The Applicant has an identity of interest with the seller but has provided documentation of the property's original acquisition value (in the form of the current book value plus depreciation), appraised value and assessed value as required by the QAP. The contracted sales price is less than the appraised value and the original acquisition value and therefore is accepted as the appropriate sales price. The as is appraised value provides a prorata value for the building that is consistent with the Applicant's claimed eligible acquisition basis and both the appraised land value and the assessed land value are less than or equal to the prorata land value. Therefore the eligible building value can be calculated as the contract price less the appraised land value (\$4,842,195 - \$450,000) and is equal \$4,392,195. Thus, the Underwriter has used the most conservative building value approach to establish the eligible basis for the buildings.

Sitework Cost:

The Applicant's claimed sitework costs of \$2,932 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 \$1K lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting conclusions will reflect the third party PCA estimate.

Contingency & Fees:

The Applicant's contractor fees were slightly overstated by \$140. Additionally, the Applicant included soft cost contingency which has been shifted to the hard cost contingency line item in accordance with Department guidelines. As a result of this shift, contingency costs are overstated by \$13,600. Both overstated amounts have been removed from eligible basis.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application, including a third-party Property Condition Assessment. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule, as derived from the PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis.

An eligible basis of \$11,262,871 supports annual tax credits of \$488,994. 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

Issuer: Bexar County HFC
 Source: Bank of America Type: Interim to Permanent Bond Financing
 Tax-Exempt: \$6,120,000 Interest Rate: 5.53% Fixed Amort: 420 months
 Source: San Antonio Alternative Housing Corp. No 3 Type: Second Lien
 Principal: \$662,495 Conditions: Principal and Interest deferred for first ten years
 Comments:
 This is a related party seller cash flow loan, to be paid only as available cash flow exists. To the extent that this loan is considered unrepayable, it would impact the developments eligible basis and reduce the credit recommendation.

Source: WNC & Associates, Inc. Type: Syndication
 Proceeds: \$4,599,953 Syndication Rate: 95% Anticipated HTC: \$ 484,254
 Amount: \$987,680 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$6,120,000 and the seller's second lien note for \$662,495 indicates the need for \$5,575,133 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$588,231 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$484,254), the gap-driven amount (\$588,231), and eligible basis-derived estimate (\$488,994), the Applicant's request of \$484,254 would be recommended resulting in proceeds of \$4,599,953 based on a syndication rate of 95%.

The Underwriter's recommended financing structure indicates the need for \$975,180 in additional permanent funds beyond the related party seller note. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation but will further limit the ability of the seller note to be repaid and expand the risk that the seller note could impact the eligible basis and credit amount.

Underwriter: _____ Date: December 13, 2007
Carl Hoover

Reviewing Underwriter: _____ Date: December 13, 2007
Raquel Morales

Director of Real Estate Analysis: _____ Date: December 13, 2007
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Encinal Apartments, San Antonio, 4% HTC #07454

PAYMENT COMPUTATION

Primary	\$6,120,000	Amort	420
Int Rate	5.53%	DCR	1.26

Secondary	\$662,495	Amort	
Int Rate	7.00%	Subtotal DCR	1.26

Additional	\$4,599,953	Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$395,829
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$104,618

Primary	\$6,120,000	Amort	420
Int Rate	5.53%	DCR	1.26

Secondary	\$662,495	Amort	0
Int Rate	7.00%	Subtotal DCR	1.26

Additional	\$4,599,953	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

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	\$1,430,784	\$1,473,708	\$1,517,919	\$1,563,456	\$1,610,360	\$1,866,849	\$2,164,189	\$2,508,888	\$3,371,736
Secondary Income	36,180	37,265	38,383	39,535	40,721	47,207	54,725	63,442	85,261
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,466,964	1,510,973	1,556,302	1,602,991	1,651,081	1,914,055	2,218,915	2,572,330	3,456,997
Vacancy & Collection Loss	(110,022)	(113,323)	(116,723)	(120,224)	(123,831)	(143,554)	(166,419)	(192,925)	(259,275)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,356,942	\$1,397,650	\$1,439,579	\$1,482,767	\$1,527,250	\$1,770,501	\$2,052,496	\$2,379,405	\$3,197,722
EXPENSES at 4.00%									
General & Administrative	\$48,514	\$50,455	\$52,473	\$54,572	\$56,755	\$69,051	\$84,011	\$102,212	\$151,298
Management	55,274	56,933	58,640	60,400	62,212	72,120	83,607	96,924	130,257
Payroll & Payroll Tax	190,615	198,240	206,169	214,416	222,993	271,305	330,084	401,597	594,462
Repairs & Maintenance	82,480	85,779	89,210	92,779	96,490	117,395	142,828	173,773	257,226
Utilities	171,149	177,995	185,115	192,519	200,220	243,598	296,375	360,585	533,754
Water, Sewer & Trash	76,523	79,584	82,767	86,078	89,521	108,916	132,513	161,222	238,649
Insurance	38,549	40,091	41,695	43,363	45,097	54,868	66,755	81,218	120,222
Property Tax	104,050	108,212	112,540	117,042	121,723	148,095	180,180	219,217	324,495
Reserve for Replacements	60,300	62,712	65,220	67,829	70,542	85,826	104,420	127,043	188,055
Other	29,040	30,202	31,410	32,666	33,973	41,333	50,288	61,183	90,566
TOTAL EXPENSES	\$856,494	\$890,201	\$925,240	\$961,663	\$999,526	\$1,212,506	\$1,471,061	\$1,784,974	\$2,628,984
NET OPERATING INCOME	\$500,447	\$507,448	\$514,339	\$521,103	\$527,724	\$557,995	\$581,435	\$594,432	\$568,738
DEBT SERVICE									
First Lien Financing	\$395,829	\$395,829	\$395,829	\$395,829	\$395,829	\$395,829	\$395,829	\$395,829	\$395,829
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	\$104,618	\$111,619	\$118,510	\$125,274	\$131,895	\$162,165	\$185,605	\$198,602	\$172,909
DEBT COVERAGE RATIO	1.26	1.28	1.30	1.32	1.33	1.41	1.47	1.50	1.44

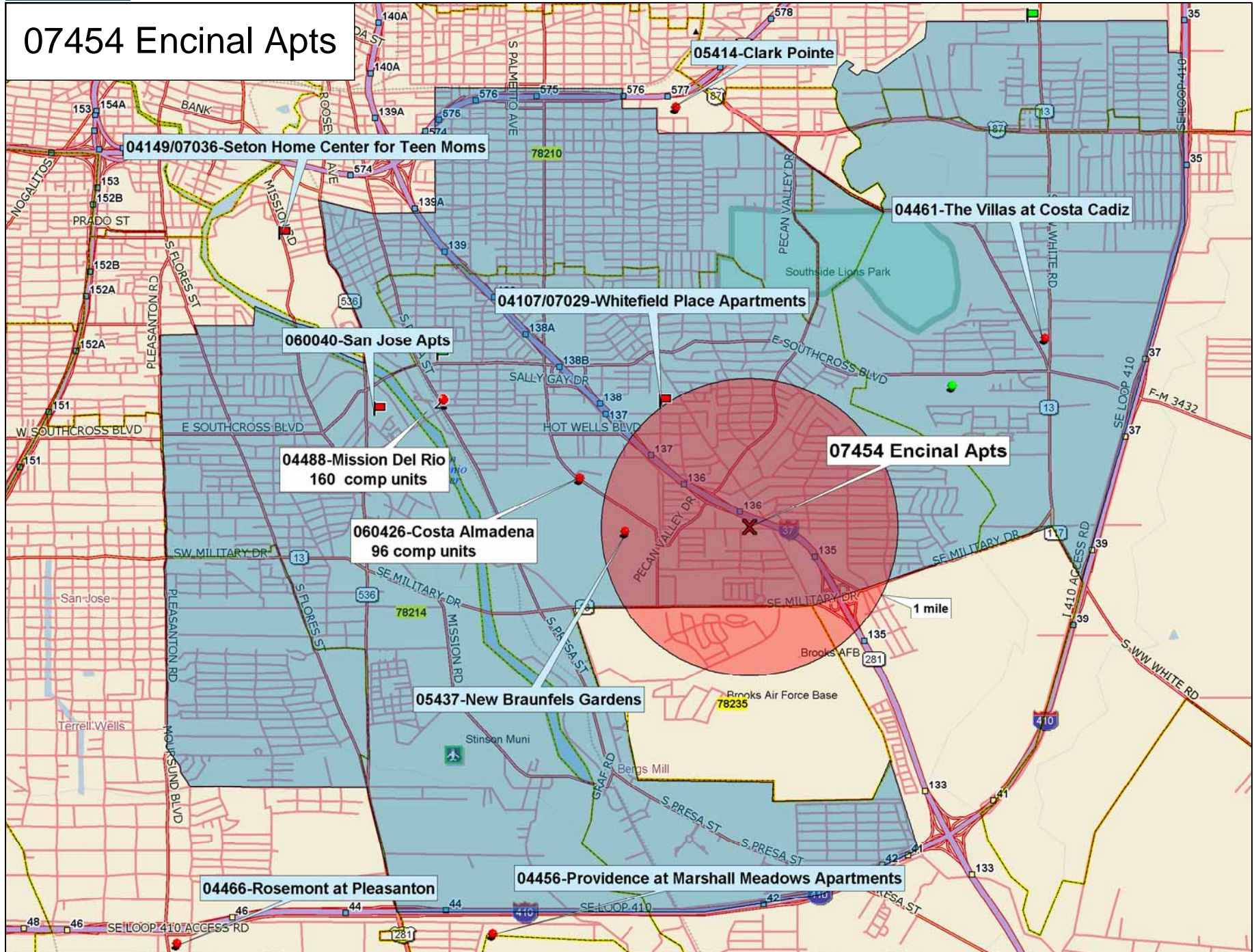
HTC ALLOCATION ANALYSIS -Encinal Apartments, San Antonio, 4% HTC #07454

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$450,000	\$450,000				
Purchase of buildings	\$4,392,195	\$4,392,195	\$4,392,195	\$4,392,195		
Off-Site Improvements						
Sitework	\$589,389	\$589,389			\$589,389	\$589,389
Construction Hard Costs	\$2,994,611	\$2,995,611			\$2,994,611	\$2,995,611
Contractor Fees	\$501,900	\$501,900			\$501,760	\$501,900
Contingencies	\$372,000	\$358,500			\$358,400	\$358,500
Eligible Indirect Fees	\$362,425	\$362,425			\$362,425	\$362,425
Eligible Financing Fees	\$597,618	\$597,618			\$597,618	\$597,618
All Ineligible Costs	\$394,757	\$394,757				
Developer Fees						
Developer Fees	\$1,465,233	\$1,465,233			\$1,465,233	\$1,465,233
Development Reserves	\$250,000	\$250,000				
TOTAL DEVELOPMENT COSTS	\$12,370,128	\$12,357,628	\$4,392,195	\$4,392,195	\$6,869,436	\$6,870,676

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			\$4,392,195	\$4,392,195	\$6,869,436	\$6,870,676
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$4,392,195	\$4,392,195	\$8,930,267	\$8,931,879
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$4,392,195	\$4,392,195	\$8,930,267	\$8,931,879
Applicable Percentage			3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			\$161,194	\$161,194	\$327,741	\$327,800

Syndication Proceeds	0.9499	\$1,531,186	\$1,531,186	\$3,113,226	\$3,113,788
Total Tax Credits (Eligible Basis Method)				\$488,934	\$488,994
Syndication Proceeds				\$4,644,412	\$4,644,974
Requested Tax Credits				\$484,254	
Syndication Proceeds				\$4,599,953	
Gap of Syndication Proceeds Needed				\$5,587,633	
Total Tax Credits (Gap Method)				\$588,231	

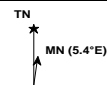
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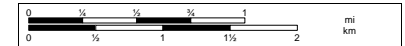
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1" = 4,687.5 ft

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MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 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 Wyndham Park Apartments, #07457.

Summary of the Transaction

Background and General Information: The application was received on August 29, 2007. The Issuer for this Priority 3 transaction is Southeast Texas HFC with a reservation of allocation that expires on January 12, 2008. The development proposes the new construction of 184 total units targeting an elderly population. The development is proposed for the City of Baytown, Harris County and 100% of the units are proposed to be restricted. The site is currently zoned for such a development.

Organizational Structure and Compliance: The Borrower is HFI Wyndham Park Apartments, L.P. and the General Partner is HFI Wyndham Park Development, LLC, of which HFI Development, LLC has 50% ownership interest and KG Residential, LLC has 50% ownership interest. The Compliance Status Summary has not been completed at the time of Board posting. Staff will update the Board on any outstanding compliance issues at the Board meeting.

Census Demographics: The development will be located at the northwest corner of Emmett Hutto Blvd and Rollingbrook Drive in Baytown. Demographics for the census tract (2536.00) include AMFI of \$56,411; the total population is 6,267; the percent of population that is minority is 51.46%; the percent of population that is below the poverty line is 17.11%; the number of owner occupied units is 658; the number of renter units is 1,926 and the number of vacant units is 476. The percentage of population that is minority for the entire City of Baytown is 32% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support and one letter of opposition from David B.Turkel, Director of Harris County Community & Economic Development Department. The letter states the proposed development is inconsistent with the Harris County Consolidated Plan and Multi-family and Senior Apartment Concentration Policy. Additionally, the letter states the proposed development is within one mile of a senior tax credit property under construction and non-stabilized and therefore exceeds the threshold concentration requirement outlined in their policy.

Staff notes the proposed development is located within the city limits of Baytown and therefore is not required to provide evidence of consistency with the consolidated plan of Harris County. Additionally, the Department received a resolution from the city council of Baytown supporting the proposed development that is to be located within one mile of another senior tax credit property currently under construction.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of \$740,829 in Housing Tax Credits for Wyndham Park Apartments.



MULTIFAMILY FINANCE PRODUCTION DIVISION

December 20, 2007

Development Information, Public Input and Board Summary

Wyndham Park Apartments, TDHCA Number 07457

BASIC DEVELOPMENT INFORMATION

Site Address: N side of Rollingbrook Dr. west of Emmett Hutto Blvd. Development #: 07457
 City: Baytown Region: 6 Population Served: Elderly
 County: Harris Zip Code: 77521 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: NC
 Bond Issuer: Southeast Texas HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition,
 NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: HFI Wyndham Park Apartments, L.P.
 Owner Contact and Phone: William D. Henson (713) 334-5808
 Developer: HFI Wyndham Park Development, L.L.C
 Housing General Contractor: HFI Wyndham Park Contractors, L.L.C
 Architect: Mucasey & Associates
 Market Analyst: O'Connor & Associates
 Syndicator: Boston Capital Corporation
 Supportive Services: Texas Inter-Faith Housing Corp.
 Consultant: LBK, Ltd.

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	184	
0	0	0	184	0	88	96	0	0	0	Market Rate Units:	0	
Type of Building: <input checked="" type="checkbox"/> 4 units or more per building											Owner/Employee Units:	0
<input type="checkbox"/> Duplex	<input type="checkbox"/> Detached Residence									Total Development Units:	184	
<input type="checkbox"/> Triplex	<input type="checkbox"/> Single Room Occupancy									Total Development Cost:	\$18,264,949	
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Transitional									Number of Residential Buildings:	10	
<input type="checkbox"/> Townhome											HOME High Total Units:	0
											HOME Low Total Units:	0

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$740,829	\$740,829	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION

December 20, 2007

Development Information, Public Input and Board Summary

Wyndham Park Apartments, TDHCA Number 07457

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Whitmire, District 15 NC US Representative: Poe, District 2, NC
TX Representative: Smith, District 128 NC US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Stephen H. DonCarlos, Mayor, City of Baytown - NC Resolution of Support from Local Government

David B. Turkel, Director, Harris County Community & Economic Development Department - O

Individuals/Businesses: In Support 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and one letter of opposition from David B. Turkel, Director of Harris County Economic Development Department .

CONDITIONS OF COMMITMENT

1. 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")."
2. Receipt, review, and acceptance, by closing, of closing documents verifying the allocation of the land.
3. Receipt, review, and acceptance, by closing, of closing, of a letter from the civil engineer indicating that the planned detention pond reflected in the revised siteplan will serve only the impervious coverage on the 14.1460 acres site and does not have the capacity of serve future development on the remaining portion of the larger 25 acre sites; or a revised development cost schedule with the sitework costs for the excess detention pond capacity removed from eligible basis.
4. Receipt, review, and acceptance, by closing, of closing, of an opinion from the syndicator's attorney 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.
5. Receipt, review, and acceptance, by closing, of closing, of letters from the contractor and consultant reflecting their willingness to defer their fees if necessary.
6. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Wyndham Park Apartments, TDHCA Number 07457

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

4% Housing Tax Credits:	Credit Amount:	\$740,829
Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$740,829 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: 12/12/07 PROGRAM: 4% HTC FILE NUMBER: 07457

DEVELOPMENT

Wyndham Park

Location: north side of Rollingbrook Dr approx 500 ft. west of Emmett Hutto Blvd. Region: 6
 City: Baytown County: Harris Zip: 77521 OCT DDA
 Key Attributes: New Construction, Multifamily, Urban, Elderly

ALLOCATION

TDHCA Program	REQUEST			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$740,829			\$740,829		

CONDITIONS

- 1 Receipt, review, and acceptance, by closing, of closing documents verifying the allocation of the land.
- 2 Receipt, review, and acceptance, by closing, of a letter from the civil engineer indicating that the planned detention pond reflected in the revised siteplan will serve only the impervious coverage on the 14.1460 acre site and does not have the capacity to serve future development on the remaining portion of the larger 25 acre site; or a revised development cost schedule with the sitework costs for the excess detention pond capacity removed from eligible basis.
- 3 Receipt, review, and acceptance, by closing, of an opinion from the syndicator's attorney 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.
- 4 Receipt, review, and acceptance, by closing, of letters from the contractor and consultant reflecting their willingness to defer their fees if necessary.
- 5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit 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	184

PROS

- The development team has substantial financial capacity and experience with the LIHTC program in Texas.

CONS

- As underwritten, the requested bond amount is approximately 53% of the aggregate cost, and the recommended debt amount is approximately 52%; as a result, the development may be at risk of losing the 4% credits should there be unanticipated costs or cost increases.

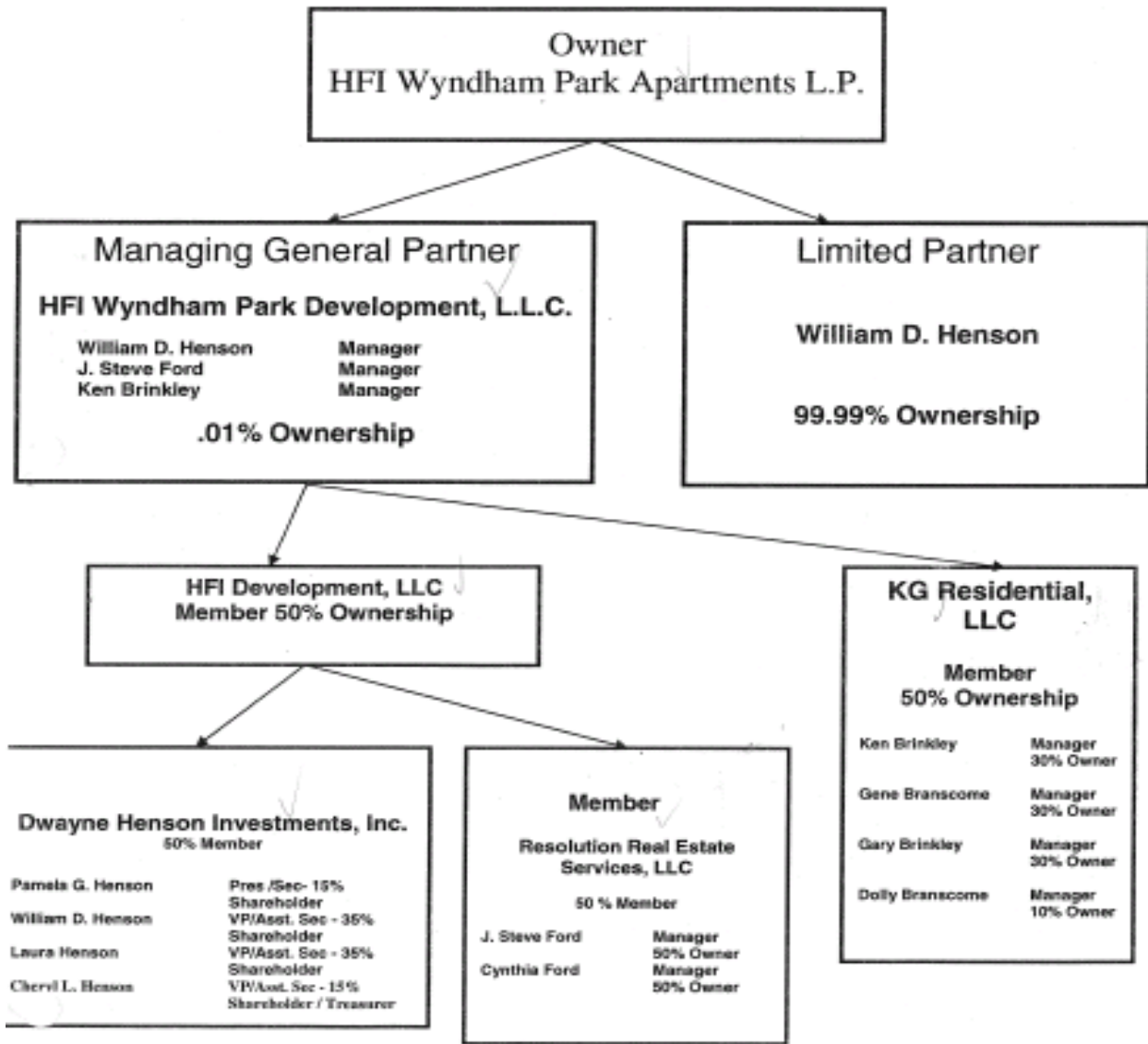
- Market Analyst's demand by unit type suggests capture rates of over 100% for both one- and two- bedroom units

PREVIOUS UNDERWRITING REPORTS

none

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



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	# Completed Developments
Dwayne Henson Investments, Inc.	14,888,191	2,207,496	20 complete, 5 in development
Resolution Real Estate Services, Inc.	3,845,000	3,820,000	32 complete, 3 in development
KG Residential, LLC	19,000	19,000	
William D. and Laura Henson	confidential		
Pamela Henson	confidential		
Cheryl Henson	confidential		
J. Steve and Cynthia Ford	confidential		
Ken Brinkley	confidential		
Gene Branscome	confidential		
Gary Brinkley	confidential		
Dolly Branscome	confidential		

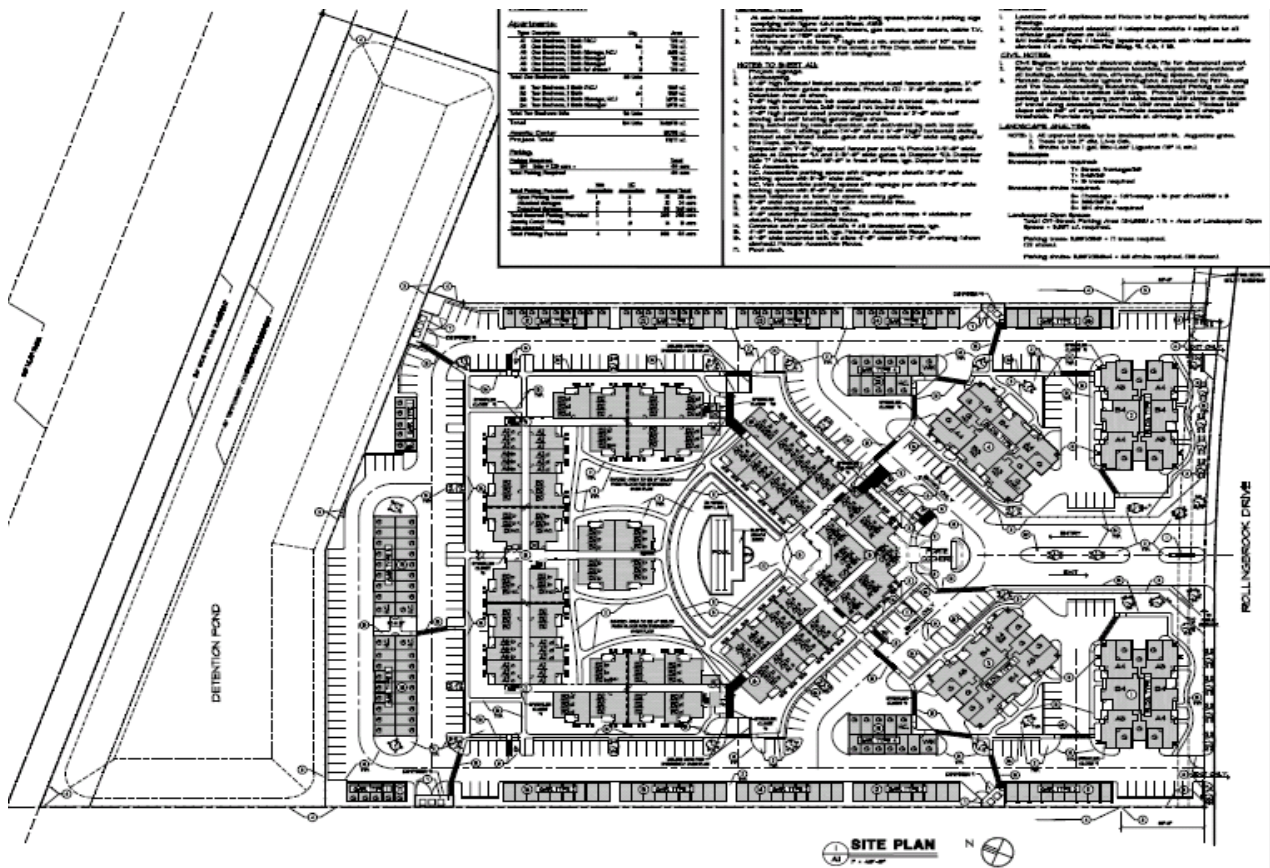
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- o The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	central complex								Total Buildings
Floors/Stories	1	1	3	3	3	3					
Number	3	1	1	2	2	1					10

BR/BA	SF	Units								Total Units	Total SF
1/1	729			48		12				72	52,488
1/1	805		1							1	805
1/1	791	4	3							15	11,865
2/2	990			10	21	12	12			88	87,120
2/2	1,075	2	2							8	8,600
Units per Building		6	6	58	21	24	12			184	160,878

SITE ISSUES

Total Size: 14.1460 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: MU Needs to be re-zoned? Yes No N/A

Comments:

The purchase contract submitted indicates acquisition of a total of 25.0472 acres. The survey originally submitted indicated that the subject development will only occupy 13.329 acres. The Applicant has subsequently indicated that due to local water detention requirements, the subject development will in fact occupy 14.1460 acres; the remaining 10.9011 acres will be transferred to separate ownership. The Applicant has provided a revised survey and site plan. This report has been conditioned on receipt of closing documents verifying the allocation of the land.

However, the revised siteplan reflects an unusually large detention pond encompassing almost one quarter of the 14 acre site. Often detention ponds are designed to serve multiple developments or large areas of development and the detention pond could be designed to serve future development on the remaining portion of the 25 acres. If the detention pond is designed to serve future development adjacent to the site, a portion of the costs associated with building the extra capacity may not be eligible.

Therefore, receipt, review, and acceptance, by closing, of a letter from the civil engineer indicating that the planned detention pond reflected in the revised siteplan will serve only the impervious coverage on the 14.1460 acre site and does not have the capacity to serve future development on the remaining portion of the site or a revised development cost schedule with the sitework costs for the additional detention pond capacity removed from eligible basis is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 9/11/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: residential, golf course East: Emmet O Hutto Blvd, commercial
 South: vacant land, residential West: vacant land, Goose Creek

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: The Murillo Company ("TMC") Date: 11/11/2007

Comments:

Based upon TMC site investigation ... no direct evidence was found indicating recognized environmental conditions exist at the subject property.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 9/13/2007
 Contact: Robert O. Coe Phone: (713) 686-9955 Fax: (713) 686-8336
 Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 561 square miles (13.3 mile radius)

The subject's primary market area is bound by Hwy 90 to the north, Beltway 8 and Red Bluff Road to the west, Galveston Bay to the south, and the Trinity River to the east. The estimated 2007 population is 234,000, including approximately 43,000 age 55 and older.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	N / A
Birdsong Place	060168	96	96	

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	67	10		77	88	75	212%
2 BR/ 60% Rent Limit	51	12		63	96	11	170%

It should be noted that the Market Analyst used a different demographic source and methodology to determine demand by unit type than they did in determining overall demand and capture rate.

OVERALL DEMAND									
	Target Households	Household Size	Income Eligible	Tenure	Demand				
PMA DEMAND from TURNOVER									
Market Analyst p. 70	26%	20,733	100%	20,733	7%	1,509	55%	828	
Underwriter	18%	20,943	100%	20,943	12%	2,520	60%	1,524	44%
Underwriter (HISTA)		4,138	100%	4,138	16%	648	44%	285	
PMA DEMAND from HOUSEHOLD GROWTH									
Market Analyst p. 70		1,562	26%	405	7%	30	100%	30	
Underwriter			100%	206	12%	25	60%	15	100%
Underwriter (HISTA)			100%	179	16%	28	100%	28	
DEMAND from Section 8 Vouchers									
Market Analyst p. 70									44
Underwriter									135
Underwriter (HISTA)									364

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 71	184	96	0	280	902	31%
Underwriter	184	96	0	280	821	34%
Underwriter (HISTA)	184	96	0	280	677	41%

Primary Market Occupancy Rates:

"The Townhomes of Bay Forest Apartments and the Village Apartments are the closest stabilized HTC complexes to the subject. Townhomes of Bay Forest contains 128 units, and is currently 98% occupied. The Village Apartments contains 210 units, and is currently 97% occupied." (p. 39)

"The average occupancy for comparable apartments in the subject's primary market area was reported at 84.91% in the most recent O'ConnorData survey (September 2007). The submarket average occupancy is skewed downward due to several older, inferior complexes with low occupancy ... occupancy has increased slightly from the prior quarter. Average Class A and B occupancy in the PMA has remained in the high 80% to mid 90's since September 1995 ... based on our analysis, moderate increases in occupancy are projected for this market." (p. 39)

Absorption Projections:

"Absorption in the subject's PMA over the past twelve quarters ending September 2007 totals 868 units. Absorption has been positive in eight of the past twelve quarters ... The limited amount of new product that entered the market in 2000 through 2006 was readily absorbed. Based on our research, most projects that are constructed in the Greater Houston area typically lease up within 12 months.

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 729 SF 60%	\$597	\$597	\$710	\$597	\$113	
1 BR 791 SF 60%	\$597	\$597	\$755	\$597	\$158	
1 BR 805 SF 60%	\$597	\$597	\$765	\$597	\$168	
2 BR 990 SF 60%	\$720	\$720	\$915	\$720	\$195	
2 BR 1,075 SF 60%	\$720	\$720	\$1,055	\$720	\$335	

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. 12)

Comments:

Birdsong Place Villas (TDHCA# 060168), with 96 elderly units under construction within one mile of the subject, is the only non-stabilized or proposed elderly development within the primary market area. With Birdsong Place in consideration, the Market Analyst concluded an inclusive capture rate for the subject of 31%. The Market Analyst states that "Based on interviews with area property managers, turnover of 40% to 70% is consistent with typical percentages for this market ... For the purpose of this analysis, a 55% turnover rate has been utilized in this assignment. Given the highly competitive rents at the subject property, a turnover percentage for area projects within the indicated range is appropriate." (p. 67) Apparently, 55% was chosen as the midpoint of the broad range from 40% to 70%.

The Underwriter believes this overstates the likely turnover demand applicable to tax credit properties in the area, particularly a property targeting seniors. TDHCA data indicates senior developments in Region 6 (a total of almost 5,000 units) experienced turnover of 20% during 2006. This is probably low, as a new property in lease-up will attract additional turnover. TDHCA data for all properties in Region 6 (more than 46,000 units) indicates 44% turnover during 2006. The Underwriter believes this is a reasonable proxy for the likely turnover demand that can be anticipated by the subject. Applying 44% turnover, the Underwriter calculated a slightly higher inclusive capture rate of 34%. This rate is well under the maximum of 75% for a senior development. (This calculation includes demand for 135 units from Section 8 vouchers. The Market Analyst only included voucher demand of 44 due to an error in calculation; otherwise, the Market Analyst's inclusive capture rate would have been lower than the reported 31%.)

The Underwriter also calculated demand based on HISTA Data, an alternate source of demographic information. The HISTA Data suggests a much lower number of income-age-tenure eligible households. But this data also results in a higher estimate of Section 8 voucher demand. The result is an inclusive capture rate of 41%, still well within the acceptable range.

The Underwriter concludes that the market study provided 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 income is based on maximum program rents for Harris County, adjusted for electric utility allowance estimates provided by the local provider, Cirro Energy, and water and sewer allowances provided by the Baytown Housing Authority. Tenants will pay for electricity, water, and sewer service. Secondary income and provision for losses due to collection and vacancy are consistent with underwriting estimates. The Applicant's projected effective gross income is equivalent to the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 10/29/2007

The Applicant's projected total annual operating expense of \$3,801 per unit is within 3% of the underwriting estimate of \$3,909 derived from the TDHCA database, IREM data, and other sources. Line items in which the Applicant's and underwriting estimates vary most significantly include payroll and payroll tax (the Applicant's projection is lower by \$22K) and utilities (the Applicant's projection is lower by \$22K).

Conclusion:

The Applicant's projected effective gross income, total annual operating expense, and net operating income (NOI) are each within 5% of the underwriting estimates; the Applicant's figures will therefore be used to determine debt capacity. The Applicant's NOI and estimated debt service indicate a first-year debt coverage ratio (DCR) of 1.15. This is the minimum acceptable debt coverage based on current underwriting guidelines. However, the Applicant has understated the debt service required based on the terms provided; the correct debt service figure results in a 1.09 DCR. This will be discussed further in the Conclusions section below.

Feasibility:

The Applicant's projected income and expenses, and the recommended debt service, are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow, and a DCR that remains above 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	25.05 acres	<u>\$468,782</u>	Tax Year:	<u>2007</u>
One Acre:		<u>\$18,716</u>	Valuation by:	<u>Harris County CAD</u>
Prorata Value:	14.1 acres	<u>\$264,758</u>	Tax Rate:	<u>3.1812</u>

EVIDENCE of PROPERTY CONTROL

Type: Earnest Money Contract - Commercial Unimproved Property Acreage: 25.0472
Contract Expiration: 1/12/2008 Valid Through Board Date? Yes No
Acquisition Cost: \$1,255,000 Other: _____
Sellers: H. Busch Enterprises, Inc. Related to Development Team? Yes No
Dorothy Jean Chambers
Clifford Lamar and Kimberly Lynn Nickel

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/30/2007

Acquisition Value:

The Applicant originally included \$1,255,000 as the acquisition cost. However, this is the cost for the entire 25 acres under contract. As indicated above, the Applicant originally anticipated a site of 13.329 acres. However, the Applicant subsequently indicated that the requirements for the detention pond on site will require expansion of the site to 14.1460 acres. The revised development cost schedule submitted on Nov 30 indicates a prorata acquisition cost of \$708,824 for just the subject 14.1460 acres. The Applicant has provided a revised survey and site plan verifying the revised acreage and site.

Sitework Cost:

The Applicant's projected sitework cost is within the underwriting guideline of \$9,000 per unit; therefore, no further documentation is required. However, as indicated above, a portion of the costs for the planned detention pond may be ineligible. This report has been conditioned on additional information to confirm the eligibility of the detention pond costs.

Direct Construction Cost:

The Applicant's projected direct construction cost of \$8.9 million is within 4% of the underwriting estimate.

Ineligible Costs:

The Applicant originally included \$170,000 for the purchase of a 15 year interest rate cap in eligible basis. In the revised development cost schedule submitted on November 30, 2007, the Applicant only included \$25,500 of the \$170,000 cost in eligible basis. The Applicant has indicated that the rate cap will be purchased at the time of bond closing and that the \$25,500 eligible portion is meant to cover the interim construction period and will be considered eligible. Even if the entire \$170,000 was excluded from eligible basis there would be no effect on the credit recommendation.

Contingency & Fees:

The Applicant's developer fee estimate exceeds the Department's 15% maximum by \$46K. Therefore, the Underwriter has shifted the overstated portion to ineligible costs for the purpose of calculating eligible basis.

Conclusion:

The Applicant's projected total development cost is \$18.3 million. This is within 5% of the underwriting estimate; therefore, the Applicant's cost will be used to calculate eligible basis and determine the need for permanent financing. The calculated eligible basis of \$16,235,950 is boosted by 30% because Harris County is a designated Difficult Development Area. The resulting adjusted basis of \$21,106,734 supports an annual allocation of tax credits in the amount of \$761,953. This amount will be compared to the Applicant's requested allocation, and the amount determined by eligible basis.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N / A

Issuer: Southeast Texas Housing Finance Corp.
 Source: Citibank / Fannie Mae Credit Enhanced Type: Interim to Permanent Bond Financing

Tax-Exempt: \$9,000,000 Interest Rate: 5.9% Fixed Amort: 420 months

Comments:

The Applicant originally submitted a commitment reflecting an underwriting rate of 5.9%. Upon request for more detailed information on the base rate and stack, the Applicant provided a commitment indicating an underwriting rate of 6.725%. A final revision of the commitment was submitted subsequently reflecting the original underwriting rate of 5.9%.

The difference is primarily due to an overhaul of Fannie Mae's Delegating Underwriting and Servicing (DUS) program done in mid 2007. The overhaul is the first major revision in the underwriting standards in the 20 year history of Fannie's DUS program. The DUS lenders must implement the new standards before the end of the year.

Two of the major changes directly affect how the TDHCA underwrites Fannie Mae Credit Enhanced variable rate bond transactions. Specifically, the minimum debt coverage ratio was reduced to a one-to-one coverage (1.00) and the methodology for determining the underwriting rate was revised as follows: The base rate used to establish the underwriting rate shall be the greater of 6.0% or the actual strike rate on the interest rate cap or a waiver must be sought by the DUS lender to use a lower base rate.

The commitment indicating an underwriting rate of 6.725% is equal to an initial strike rate on the cap of 5.5% plus the 1.225% fee stack. The commitment indicates that Citibank will request a waiver to utilize the 5.5% cap rate in underwriting but that the Applicant must purchase at least a 10 year rate cap with a strike rate of 5.5% (and 6.0% after 10 years). The new DUS standards require a 15 year cap.

As a result of the TDHCA's standard of utilizing a higher minimum DCR of 1.15 and the lender's underwriting rate, Citibank provided a commitment indicating a minimum DCR of 1.15 and an underwriting rate of 5.9% which is a base rate of 3.66% (equal to the 52-week BMA/SIFMA moving average) plus the 1.225% fee stack plus a 1.0% underwriting spread. This commitment also reflects a 15 year rate cap at 5.5%. It is unclear if the 5.9% and 1.15 DCR minimum is based on the previous Fannie DUS guidelines. The Underwriter understood the previous standards to be a 200 basis point spread and a 1.20 DCR minimum. However, the lender could also request waivers for different underwriting minimums.

The Underwriter has used the 5.9% underwriting rate reflected in the latest commitment for the analysis. However, the Underwriter has also done some sensitivity testing to determine how the newest standards could affect the transaction. This is discussed further in the conclusion section below.

Source: Boston Capital Type: Syndication

Proceeds: \$6,814,942 Syndication Rate: 92% Anticipated HTC: \$ 740,829

Comments:

The commitment indicates that a 15 year rate cap will be required to cover the entire compliance period. As indicated above, the Applicant has stated that a 15 year cap has been budgeted.

Amount: \$1,750,212 Type: Deferred Developer Fees

Amount: \$699,795 Type: GIC Interest Income

Comments:

The Applicant has included a substantial amount of income from anticipated future interest earnings from a Guaranteed Investment Contract funded with unused bond proceeds during construction. The Underwriter has not included this source of funds due to the risk associated with relying upon this source to fund a substantial portion of the gap in financing.

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis using the lender's quoted underwriting rate of 5.9% results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, the current underwriting analysis assumes a decrease in the permanent loan amount to \$8,761,695 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 permanent loan of \$8,761,695 indicates the need for \$9,503,254 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,033,066 annually would be required to fill this gap in financing. The three possible allocation amounts are therefore:

Applicant's Requested Allocation Amount:	<u>\$740,829</u>
Allocation Amount Determined by Eligible Basis:	\$761,953
Allocation Amount Determined by the Gap in Financing:	\$1,033,066

The Applicant's initial requested allocation was \$706,231; on the development cost schedule submitted November 30, the request has been increased to \$740,829. This is the least of the three possible allocation amounts, and is therefore recommended. A tax credit allocation of \$740,829 annually for ten years results in \$6,814,942 in proceeds at a syndication rate of 92%.

The Underwriter's recommended financing structure indicates the need for \$2,688,312 in additional permanent funds. Deferred developer, contractor, and consultant fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation if the 5.9% underwriting rate is assumed for the first lien. While both the consultant and contractor are related parties, this report is conditioned upon receipt, review, and acceptance, by closing, of letters from the contractor and consultant reflecting their willingness to defer their fees if necessary. If the Applicant's anticipated guaranteed investment contract (GIC) income of \$699,795 is included, the additional permanent funds required is reduced to \$1,750,212; this amount is repayable from cash flow within 10 years and deferral of contractor and/or consultant fees would not be necessary.

As indicated above, the Underwriter has also done sensitivity testing to determine potential affects of the changes in Fannie Mae's DUS standards. Based on the Applicant's proforma and an interest rate of 6.725% (in line with FNMA's new DUS requirements assuming a Citibank waiver to use a cap rate of 5.5%) the increase in the projected debt service on the entire \$9,000,000 in MRBs would be result in a DCR of 1.02 in Year One and would remain above 1.0 for 30 years. This meets the DUS minimum DCR of 1.0. However, a 1.02 DCR is well below the TDHCA minimum of 1.15 and does not allow for the repayment of the deferred developer fee within the required 15 years.

As indicated above, the 6.725% rate is based on the BMA/SIFMA rate maxing out at the 5.5% strike rate on the rate cap. Based on the recent past this is not a likely scenario, which is why the DUS DCR under such a scenario is 1.0 or breakeven. During the previous five years the BMA/SIFMA index has reached a high point of 3.97% which would result in an all in rate of 5.195%. At this interest rate the DCR would remain greater than 1.15 for 15 years and the deferred developer fee would be repayable within 15 years.

Based on the Underwriter's analysis, the BMA/SIFMA rate would have to exceed 4.795% for a sustained period of time in order for the debt capacity decrease and/or deferred developer fee to increase to a level that would fail to meet the Department's DCR minimum of 1.15 or for deferred developer fee to not be repayable within 15 years of stabilized operation. The last time the BMA/SIFMA rate exceeded 4.795% was in 1991. It is unlikely that the BMA/SIFMA rate would increase to this level for a sustained period of time in the near future, particularly when considering the current economic environment and the most recent Federal Reserve actions. It is on this basis that the Underwriter believes that it can be reasonably projected that the transaction as underwritten will meet the Department's feasibility criteria.

MULTIFAMILY COMPARATIVE ANALYSIS

Wyndham Park, Baytown, 4% HTC #07457

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%	72	1	1	729	\$686	\$597	\$42,984	\$0.82	\$89	\$13.00
TC 60%	15	1	1	791	\$686	597	8,955	0.75	89	13.00
TC 60%	1	1	1	805	\$686	597	597	0.74	89	13.00
TC 60%	88	2	2	990	\$823	720	63,360	0.73	103	13.00
TC 60%	8	2	2	1,075	\$823	720	5,760	0.67	103	13.00
TOTAL:	184		AVERAGE:	874		\$661	\$121,656	\$0.76	\$96.30	\$13.00

INCOME Total Net Rentable Sq Ft: 160,878
POTENTIAL GROSS RENT
 vending, late fees, app fees, forfeitures Per Unit Per Month: \$15.00
 Other Support Income:
POTENTIAL GROSS INCOME
 Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

TDHCA	APPLICANT
\$1,459,872	\$1,459,872
33,120	33,120
0	0
\$1,492,992	\$1,492,992
(111,974)	(111,972)
0	0
\$1,381,018	\$1,381,020

COUNTY: Harris IREM REGION: Houston COMPT. REGION: 6
 \$15.00 Per Unit Per Month
 \$0.00 Per Unit Per Month
 -7.50% of Potential Gross Income

EFFECTIVE GROSS INCOME
EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.19%	\$390	0.45
Management	3.60%	270	0.31
Payroll & Payroll Tax	12.62%	947	1.08
Repairs & Maintenance	6.83%	513	0.59
Utilities	2.73%	205	0.23
Water, Sewer, & Trash	3.20%	240	0.27
Property Insurance	3.58%	269	0.31
Property Tax 3.1812	9.02%	677	0.77
Reserve for Replacements	3.33%	250	0.29
TDHCA Compliance Fees	0.53%	40	0.05
Other:	1.44%	108	0.12
TOTAL EXPENSES	52.08%	\$3,909	\$4.47
NET OPERATING INC	47.92%	\$3,597	\$4.11

TDHCA	APPLICANT
\$71,691	\$59,600
49,734	69,051
174,298	152,520
94,310	89,571
37,704	16,000
44,160	48,000
49,410	56,378
124,618	135,000
46,000	46,000
7,360	7,360
19,916	19,916
\$719,201	\$699,396
\$661,816	\$681,624

PER SQ FT	PER UNIT	% OF EGI
\$0.37	\$324	4.32%
0.43	375	5.00%
0.95	829	11.04%
0.56	487	6.49%
0.10	87	1.16%
0.30	261	3.48%
0.35	306	4.08%
0.84	734	9.78%
0.29	250	3.33%
0.05	40	0.53%
0.12	108	1.44%
\$4.35	\$3,801	50.64%
\$4.24	\$3,704	49.36%

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
Citigroup	44.07%	\$3,307	\$3.78
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	3.86%	\$289	\$0.33

AGGREGATE DEBT COVERAGE RATIO: 1.09
 RECOMMENDED DEBT COVERAGE RATIO: 1.15

TDHCA	APPLICANT
\$608,569	\$592,714
0	0
0	0
\$53,247	\$88,910
1.09	1.15
	1.15

PER SQ FT	PER UNIT	% OF EGI
\$3.68	\$3,221	42.92%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.55	\$483	6.44%

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		3.95%	\$3,852	\$4.41
Off-Sites		0.00%	0	0.00
Sitework		8.51%	8,302	9.49
Direct Construction		48.08%	46,893	53.63
Contingency	3.64%	2.06%	2,011	2.30
Contractor's Fees	14.00%	7.92%	7,727	8.84
Indirect Construction		4.55%	4,435	5.07
Ineligible Costs		6.21%	6,055	6.93
Developer's Fees	15.00%	11.57%	11,287	12.91
Interim Financing		6.03%	5,879	6.72
Reserves		1.12%	1,091	1.25
TOTAL COST		100.00%	\$97,533	\$111.55
Construction Cost Recap		66.58%	\$64,933	\$74.26

TDHCA	APPLICANT
\$708,824	\$708,824
0	0
1,527,500	1,527,500
8,628,287	8,867,600
370,000	370,000
1,421,810	1,455,314
816,000	816,000
1,114,176	1,114,176
2,076,810	2,163,732
1,081,803	1,081,803
200,793	160,000
\$17,946,004	\$18,264,949
\$11,947,597	\$12,220,414

PER SQ FT	PER UNIT	% of TOTAL
\$4.41	\$3,852	3.88%
0.00	0	0.00%
9.49	8,302	8.36%
55.12	48,193	48.55%
2.30	2,011	2.03%
9.05	7,909	7.97%
5.07	4,435	4.47%
6.93	6,055	6.10%
13.45	11,759	11.85%
6.72	5,879	5.92%
0.99	870	0.88%
\$113.53	\$99,266	100.00%
\$75.96	\$66,415	66.91%

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT
Citigroup	50.15%	\$48,913	\$55.94
Additional Financing	0.00%	\$0	\$0.00
Boston Capital	37.97%	\$37,038	\$42.36
Deferred Developer Fees	13.65%	\$13,315	\$15.23
Additional (Excess) Funds Req'd	-1.78%	(\$1,733)	(\$1.98)
TOTAL SOURCES			

TDHCA	APPLICANT
\$9,000,000	\$9,000,000
0	0
6,814,942	6,814,942
2,450,007	2,450,007
(318,945)	0
\$17,946,004	\$18,264,949

RECOMMENDED

	PER UNIT	% of TOTAL
Developer Fee Available	\$8,761,695	\$2,117,733
% of Dev. Fee Deferred	6,814,942	127%
15-Yr Cumulative Cash Flow	2,688,312	\$2,817,961
	\$18,264,949	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Wyndham Park, Baytown, 4% HTC #07457

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$54.45	\$8,759,917
Adjustments				
Exterior Wall Finish	2.56%		\$1.39	\$224,254
Elderly	3.00%		1.63	262,797
9-Ft. Ceilings	3.32%		1.81	290,829
Roofing			0.00	0
Subfloor			(1.12)	(180,622)
Floor Cover			2.43	390,934
Breezeways/Balconies	\$22.27	8,880	1.23	197,758
Plumbing Fixtures	\$805	376	1.88	302,680
Rough-ins	\$400	184	0.46	73,600
Built-In Appliances	\$1,850	184	2.12	340,400
Exterior Stairs	\$1,800	18	0.20	32,400
Attached Garages	\$17.64	4800	0.53	84,672
Heating/Cooling			1.90	305,668
Detached Garages	\$20.08	32,000	3.99	642,560
Comm &/or Aux Bldgs	\$54.45	10,256	3.47	558,446
Other: elevators	\$52,750	4	1.31	211,000
SUBTOTAL			77.68	12,497,292
Current Cost Multiplier	0.98		(1.55)	(249,946)
Local Multiplier	0.87		(10.10)	(1,624,648)
TOTAL DIRECT CONSTRUCTION COSTS			\$66.03	\$10,622,699
Plans, specs, survy, bid prmts	3.90%		(\$2.58)	(\$414,285)
Interim Construction Interest	3.38%		(2.23)	(358,516)
Contractor's OH & Profit	11.50%		(7.59)	(1,221,610)
NET DIRECT CONSTRUCTION COSTS			\$53.63	\$8,628,287

PAYMENT COMPUTATION

Primary	\$9,000,000	Amort	420
Int Rate	5.90%	DCR	1.09

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.09

Additional	\$6,814,942	Amort	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$592,455
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$89,169

Primary	\$8,761,695	Amort	420
Int Rate	5.90%	DCR	1.15

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$6,814,942	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15051

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	\$1,459,872	\$1,503,668	\$1,548,778	\$1,595,242	\$1,643,099	\$1,904,802	\$2,208,187	\$2,559,894	\$3,440,284
Secondary Income	33,120	34,114	35,137	36,191	37,277	43,214	50,097	58,076	78,049
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,492,992	1,537,782	1,583,915	1,631,433	1,680,376	1,948,016	2,258,284	2,617,971	3,518,333
Vacancy & Collection Loss	(111,972)	(115,334)	(118,794)	(122,357)	(126,028)	(146,101)	(169,371)	(196,348)	(263,875)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,381,020	\$1,422,448	\$1,465,122	\$1,509,075	\$1,554,347	\$1,801,915	\$2,088,913	\$2,421,623	\$3,254,458
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$59,600	\$61,984	\$64,463	\$67,042	\$69,724	\$84,829	\$103,208	\$125,568	\$185,872
Management	69,051	71,122	73,256	75,454	77,717	90,096	104,446	121,081	162,723
Payroll & Payroll Tax	152,520	158,621	164,966	171,564	178,427	217,084	264,115	321,337	475,657
Repairs & Maintenance	89,571	93,154	96,880	100,755	104,785	127,487	155,108	188,713	279,341
Utilities	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Water, Sewer & Trash	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Insurance	56,378	58,633	60,978	63,418	65,954	80,243	97,628	118,780	175,823
Property Tax	135,000	140,400	146,016	151,857	157,931	192,147	233,776	284,425	421,018
Reserve for Replacements	46,000	47,840	49,754	51,744	53,813	65,472	79,657	96,915	143,458
Other	27,276	28,367	29,502	30,682	31,909	38,822	47,233	57,466	85,064
TOTAL EXPENSES	\$699,396	\$726,681	\$755,037	\$784,506	\$815,132	\$987,273	\$1,195,999	\$1,449,123	\$2,128,549
NET OPERATING INCOME	\$681,624	\$695,767	\$710,084	\$724,569	\$739,216	\$814,642	\$892,914	\$972,500	\$1,125,909
DEBT SERVICE									
First Lien Financing	\$592,455	\$592,455	\$592,455	\$592,455	\$592,455	\$592,455	\$592,455	\$592,455	\$592,455
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	\$89,169	\$103,312	\$117,629	\$132,114	\$146,760	\$222,186	\$300,458	\$380,044	\$533,454
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.25	1.38	1.51	1.64	1.90

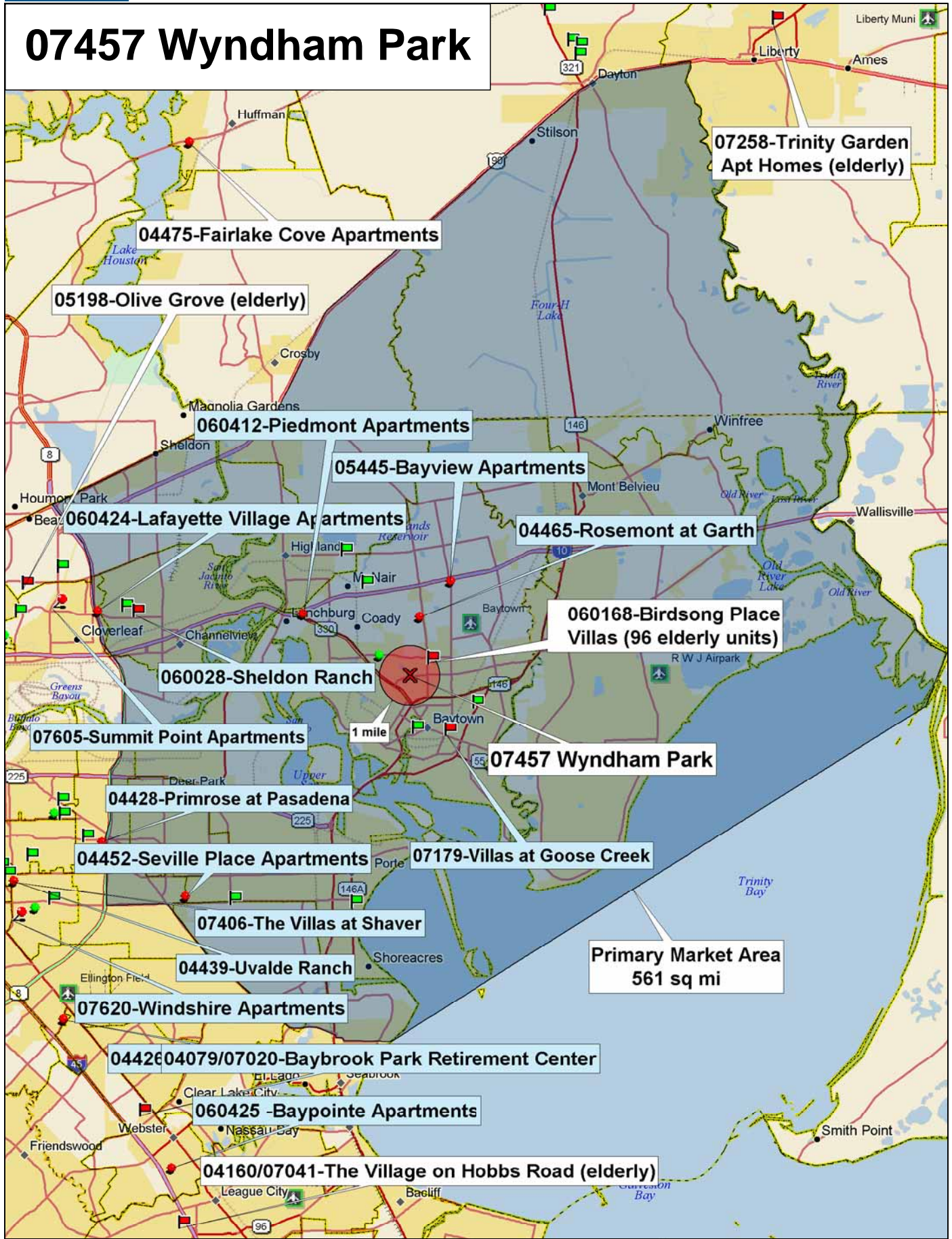
HTC ALLOCATION ANALYSIS -Wyndham Park, Baytown, 4% HTC #07457

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	\$708,824	\$708,824		
Purchase of buildings				
Off-Site Improvements				
Sitework	\$1,527,500	\$1,527,500	\$1,527,500	\$1,527,500
Construction Hard Costs	\$8,867,600	\$8,628,287	\$8,867,600	\$8,628,287
Contractor Fees	\$1,455,314	\$1,421,810	\$1,455,314	\$1,421,810
Contingencies	\$370,000	\$370,000	\$370,000	\$370,000
Eligible Indirect Fees	\$816,000	\$816,000	\$816,000	\$816,000
Eligible Financing Fees	\$1,081,803	\$1,081,803	\$1,081,803	\$1,081,803
All Ineligible Costs	\$1,114,176	\$1,114,176		
Developer Fees			\$2,117,733	
Developer Fees	\$2,163,732	\$2,076,810		\$2,076,810
Development Reserves	\$160,000	\$200,793		
TOTAL DEVELOPMENT COSTS	\$18,264,949	\$17,946,004	\$16,235,950	\$15,922,210

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		\$16,235,950	\$15,922,210
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$21,106,734	\$20,698,873
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$21,106,734	\$20,698,873
Applicable Percentage		3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS		\$761,953	\$747,229

Syndication Proceeds	0.9199	\$7,009,264	\$6,873,819
Total Tax Credits (Eligible Basis Method)		\$761,953	\$747,229
Syndication Proceeds		\$7,009,264	\$6,873,819
Requested Tax Credits		\$740,829	
Syndication Proceeds		\$6,814,942	
Gap of Syndication Proceeds Needed		\$9,503,254	
Total Tax Credits (Gap Method)		\$1,033,066	

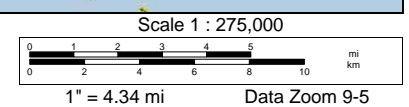
07457 Wyndham Park



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MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 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 Park Shadows Apartments, #07458.

Summary of the Transaction

Background and General Information: The application was received on October 12, 2007. The Issuer for this Priority 3 transaction is Jefferson County HFC with a reservation of allocation that expires on January 25, 2008. The development proposes the acquisition and rehabilitation of 150 total units targeting the general population. The development is proposed for the City of Beaumont, Jefferson County and 100% of the units are proposed to be restricted. The site is currently zoned for such a development.

Staff notes that according to §49.12(a)(2) of the 2007 Qualified Allocation Plan “any outstanding documentation required under this section must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested.” The Applicant violated this rule by failing to submit a Property Condition Assessment or an Appraisal that conformed to the Department’s guidelines by the 60 day deadline.

Organizational Structure and Compliance: The Borrower is Beaumont Leased Housing Associates I, Limited Partnership and the General Partner is Beaumont Leased Housing Associates I, LLC. of which David L. Brierton has 20% ownership interest, Jack W. Safar has 20% ownership interest, Armand E. Brachman has 20% ownership interest, Paul R. Sween has 20% ownership interest and Mark S Moorhouse has 20% ownership interest. The Compliance Status Summary completed on December 12, 2007 reveals that the principals of the general partner do not have any properties that have been monitored by the Department.

Census Demographics: The development is located at 1075 Pinchback Road in Beaumont. Demographics for the census tract (13.02) include AMFI of \$64,557; the total population is 2,905; the percent of population that is minority is 38.24%; the percent of population that is below the poverty line is 14.29%; the number of owner occupied units is 778; the number of renter units is 304 and the number of vacant units is 46. The percentage of population that is minority for the entire City of Beaumont is 57% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received one letter of support from Jefferson County Judge Ronald L. Walker and no letters of opposition.

Recommendation

Staff recommends the Board deny the issuance of a Determination Notice of \$506,614 in Housing Tax Credits for Park Shadows Apartments for violation of the 60 day requirement as stated in §49.12(a)(2) of the 2007 Qualified Allocation Plan.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Park Shadow Apartments, TDHCA Number 07458

BASIC DEVELOPMENT INFORMATION

Site Address: 1075 Pinchback Road Development #: 07458
 City: Beaumont Region: 5 Population Served: Family
 County: Jefferson Zip Code: 77707 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: RH
 Bond Issuer: Jefferson County HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Beaumont Leased Housing Associates I, Limited Partnership
 Owner Contact and Phone: Mark Moorhouse (763) 354-5613
 Developer: Beaumont Leased Housing Associates I, LLC
 Housing General Contractor: Benson-Orth Associates, Inc.
 Architect: BKV Group
 Market Analyst: Integra Realty Resources
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: To Be Determined
 Consultant: Not Utilized

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	150
0	0	0	150	0	40	62	44	4	0	Market Rate Units:	0
Type of Building: <input checked="" type="checkbox"/> 4 units or more per building										Owner/Employee Units:	0
<input type="checkbox"/> Duplex	<input type="checkbox"/> Detached Residence									Total Development Units:	150
<input type="checkbox"/> Triplex	<input type="checkbox"/> Single Room Occupancy									Total Development Cost:	\$14,211,876
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Transitional									Number of Residential Buildings:	11
<input type="checkbox"/> Townhome										HOME High Total Units:	0
										HOME Low Total Units:	0

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$546,051	\$0	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



MULTIFAMILY FINANCE PRODUCTION DIVISION

December 20, 2007

Development Information, Public Input and Board Summary
Park Shadow Apartments, TDHCA Number 07458

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Williams, District 4 NC US Representative: Poe, District 2, NC
TX Representative: Ritter, District 21 NC US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Ronald L. Walker, Jefferson County Resolution of Support from Local Government []
Judge - S

Becky Ames, Mayor, City of Beaumont - NC

Individuals/Businesses: In Support: 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received one letter of support from Jefferson County Judge Ronald L. Walker and no letters of opposition.

CONDITIONS OF COMMITMENT

Not Recommended due to the following: The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting...

Should the Board waive the above rule and approve this Application, the award should be conditioned upon the following:

- 1. 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")."
2. A 4% HTC allocation not to exceed \$506,614.
3. Approval of a tax credit allocation for Seville Row Apartments (TDHCA #07459) at the December 20, 2007 TDHCA Board meeting.
4. Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA.
5. Receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines.
6. Receipt, review, and acceptance, by cost certification, of approval of an increase over the current HAP contract rents of at least 9% in order to maintain financial feasibility.
7. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Park Shadow Apartments, TDHCA Number 07458

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

4% Housing Tax Credits:	Credit Amount:	\$0
Recommendation: Not Recommended		
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: 12/13/07 PROGRAM: 4% HTC FILE NUMBER: 07458

DEVELOPMENT

Park Shadows Apartments

Location: 1075 Pinchback Road Region: 5
 City: Beaumont County: Jefferson Zip: 77707 OCT DDA
 Key Attributes: Family, Urban/exurban, Acquisition/rehabilitation

ALLOCATION

TDHCA Program	REQUEST*			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$546,051			\$0		

* The requested HTC allocation was revised on several occasions during underwriting. The final revised request is dated 11/26/2007.

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit a PCA or an Appraisal conforming to Department guidelines by the 60 day deadline.

SHOULD THE BOARD WAIVE THE ABOVE RULE AND APPROVE THIS APPLICATION, THE AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 4% HTC allocation not to exceed \$506,614.
- 2 Approval of a tax credit allocation for Seville Row Apartments (TDHCA #07459) at the December 20, 2007 TDHCA Board meeting.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA.
- 4 Receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines.
- 5 Receipt, review, and acceptance, by cost certification, of approval of an increase over the current HAP contract rents of at least 9% in order to maintain financial feasibility.
- 6 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
60% of AMI	60% of AMI	150

PROS

- The application proposes the rehabilitation of a 27 year old HUD property and renewal of the existing HAP contract for 100% of the units.
- The property is currently operating at stabilized occupancy of 94% and most of the tenants will likely remain at the property due to the project-based Section 8 assistance.

CONS

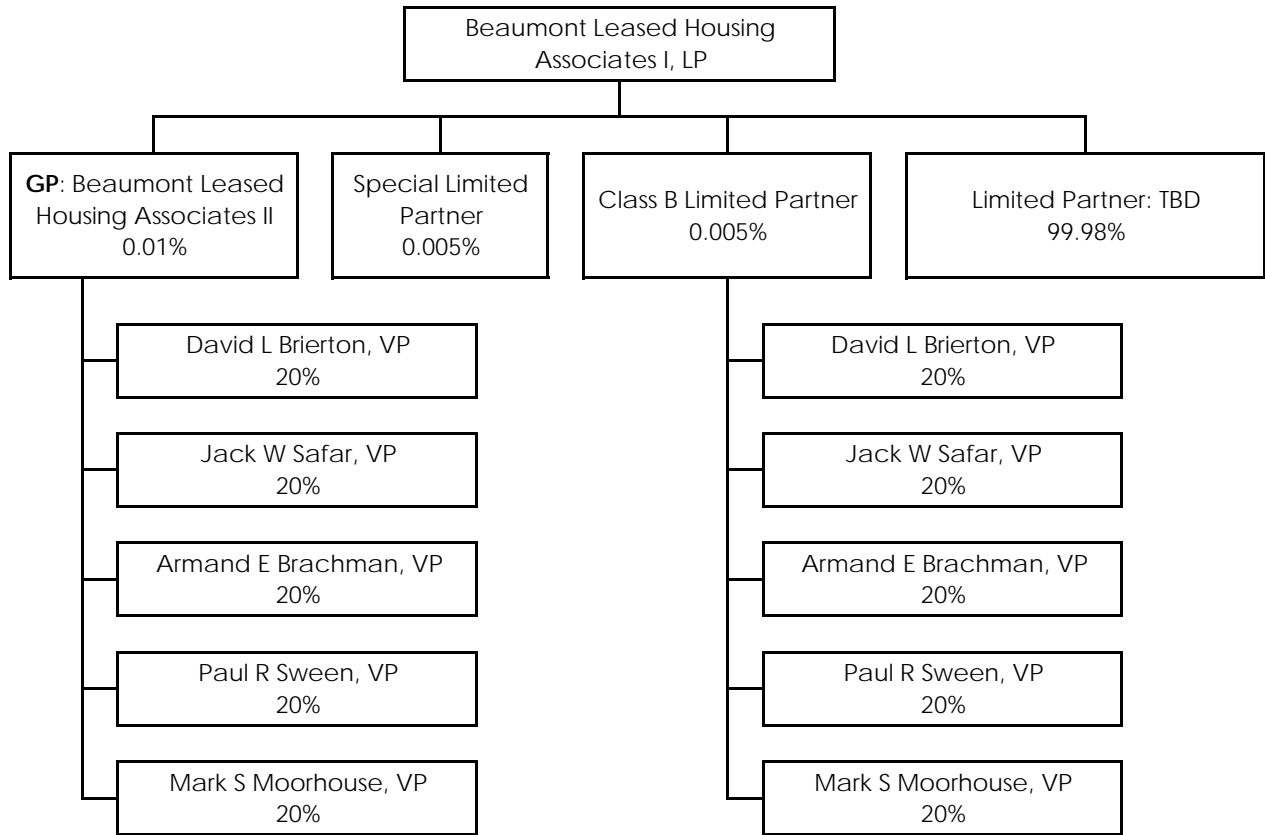
- If the third-party contractor is unwilling to defer fee and/or at least a 9% increase in the HAP contract rents is not received, the transaction may not be financially viable.
- The structure of the acquisition with the assumption of existing debt may put eligibility for the 4% HTC's in jeopardy and will leave a large portion of the bonds unused until the assumed debt can be extinguished.
- The deferred developer fee is projected to be repaid over a 15 year period.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Moorhouse Phone: 763.354.5613 Fax: 763.354.5633
 Email: m Moorhouse@dominioninc.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
Beaumont Leased Housing Associates II, LP	No material assets		Not Yet Formed
David L Brierton	Confidential		0 LIHTC Developments in Texas
Jack W Safar	Confidential		0 LIHTC Developments in Texas
Armand E Brachman	Confidential		0 LIHTC Developments in Texas
Paul R Sween	Confidential		0 LIHTC Developments in Texas
Mark S Moorhouse	Confidential		0 LIHTC Developments in Texas

¹ Liquidity = Current Assets - Current Liabilities

Comments:

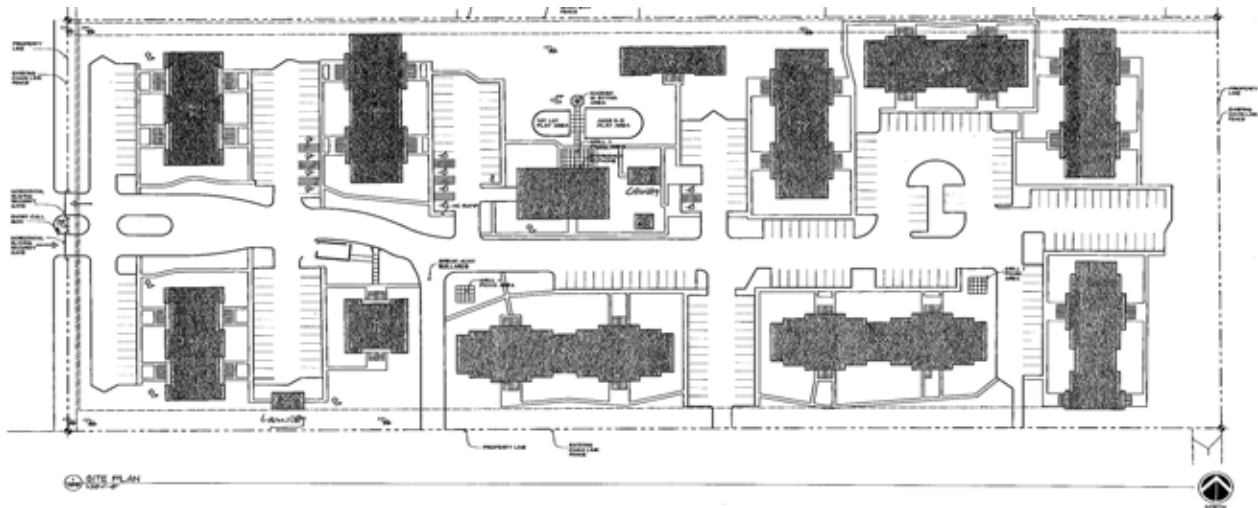
While the development team participants have no experience with the LIHTC program in Texas, the participants appear to have significant experience with the acquisition and rehabilitation of properties in several other states.

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, supportive service provider, and property manager are related entities. These are common relationships for HTC-funded developments.
- The transaction was originally structured with a below market seller note that resulted in an inflated purchase price and use of additional 4% tax credits. Staff expressed concerns about this structure and the Applicant restructured the purchase to exclude the seller note. The restructured acquisition reduced the purchase price by the amount of the seller note (\$1,425,000).

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G				Total Buildings
Floors/Stories	2	2	2	2	2	2	2				
Number	2	1	2	1	3	1	1				11

BR/BA	SF	Units								Total Units	Total SF
1/1	618	16	8							40	24,720
2/1	767					16	14			62	47,554
3/1.5	993			16	12					44	43,692
4/2	1,108						4			4	4,432
Units per Building		16	8	16	12	16	14	4		150	120,398

SITE ISSUES

Total Size: 9.36 acres Scattered site? Yes No
 Flood Zone: X Within 100-yr floodplain? Yes No
 Zoning: RM-High Density Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 10/5/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: undeveloped land, retail and commercial
 South: undeveloped land followed by athletic complex
 East: undeveloped land
 West: Pinchback Road followed by undeveloped land and commercial and residential

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Peer Engineering Date: 8/8/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 • "Limited sampling of suspect asbestos-containing materials (ACM) was conducted during the 2007 assessment. Based on the laboratory analysis, cream sink undercoating and 12" x 12" tan with brown streaks floor tile were determined to be regulated non-friable ACM" (Add). "If the sinks must be replaced as part of renovation, they should be removed and disposed by a licensed asbestos abatement contractor in accordance with applicable federal, state, or local requirements. Depending on renovation plans, the 12" x 12" asbestos-containing floor tile could be either covered over with a new flooring system or removed and disposed by a licensed asbestos abatement contractor. If either the sink undercoating or asbestos-containing floor tile is left in place, then these materials should be managed in good condition through an O&M Program" (p. 16).
 Comments:
 Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program per the Phase I ESA is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 10/10/2007
 Contact: Mark R Lamb Phone: 972.960.1222 Fax: --
 Number of Revisions: 0 Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 167.6 square feet (7.3 mile radius)
 "We consider the market area for the subject to consist of the following zip codes located within the City of Beaumont: 77701, 77702, 77703, 77706, 77707, 77708, 77710, 77713" (p. 17).
 Secondary Market Area (SMA):
 The Market Analyst did not delineate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS				
PMA				SMA
Name	File #	Total Units	Comp Units	
Timber Creek at Sienna	060239	36	36	N/A
Stone Hearst Apartmen	04228	104	83	
Regent I	07416	160	160	

Comments:

The Market Analyst included 158 comparable unstabilized units in the total inclusive capture rate calculation; however, it is unclear what properties these units are from. The market study indicates that this is the number of HTC units coming online within the next 24 months (p. 54). The Market Analyst does not include the 150 units from the subject development due to the high current occupancy of 93%. The Underwriter has included all of the 150 units at the subject development and all of the comparable unstabilized units currently known (identified in the above chart), which results in a total number of unstabilized comparable units of 429.

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$21,240	\$24,300	\$27,300	\$30,360	\$32,760	\$35,220

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	1,875	0	0	1,875	40	Not included	2%
2 BR/ 60% Rent Limit	658	0	0	658	62		9%
3 BR/ 60% Rent Limit	570	0	0	570	44		8%
4 BR/ 60% Rent Limit	613	0	0	613	4		1%

Comments:

The methodology used by the Market Analyst results in overlapping demand for the three and four bedroom units. The Analyst assumed that all one and two person households would demand a one-bedroom unit, all three-person households would demand a two bedroom unit and four and five person households would demand a three or four bedroom unit. Generally, the overlapping demand for three and four bedroom units would result in overstated demand. However, the Analyst used the number of existing rental units as the basis for determining turnover. The estimated existing rental units is lower than the estimated number of households that rent. Because the TDHCA methodology uses households as the basis for turnover, ultimately the Analyst's methodology may result in a lower demand calculation than the Underwriter's.

Also of note, the Market Analyst did not include unstabilized units to calculate an inclusive capture rate by unit type. However, the property is currently at stabilized occupancy (94%) and the calculation of a capture rate may not be a meaningful tool for calculating demand.

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 54									65%	3,715
Underwriter	100%	39,820	99%	39,282	44%	17,185	39%	6,685	65%	4,345
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 54										0
Underwriter			99%	-48	44%	-21	39%	-8	100%	-8
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. 55	0	158	0	0	3,715	4.3%				
Underwriter	150	279	0	429	4,337	9.9%				

Comments:

The Market Analyst did not include any of the subject units in the capture rate calculation because the property is currently at stabilized occupancy. While this is inconsistent with the methodology used by the Department which includes all of the subject units in order to develop the capture rate calculation, current occupancy levels do play a role in the interpretation of the inclusive capture rate calculation.

Also of note, the Analyst used the sum of the unit type demand to determine the total demand. The potential effects of the Analyst's methodology are described above. Moreover, the Analyst's lower demand is primarily the result of the differences in methodology described above.

Despite these issues, the Market Analyst provided sufficient demographic data to allow for the independent calculation of demand in accordance with the Department's guidelines. The Underwriter has accordingly derived an inclusive capture rate of 9.89%, which is below the Department guideline. In this case because the property is well over 90% occupied and the tenant population is not expected to change, the inclusive capture rate calculation is not a meaningful tool to determine financial feasibility.

Primary Market Occupancy Rates:

"The average occupancy rates for LIHTC properties within the PMA is 98%" (p. 38). The average occupancy for Section 8 and low-income properties within the PMA is 95%" (p. 39). "As of the effective date of this report, the occupancy of the subject is 93%, which is considered stabilized occupancy" (p. 41).

Absorption Projections:

"No new projects have recently been completed within the PMA. Thus, we are unable to analyze absorption trends specific to the PMA. As of the effective date of this report, the occupancy of the subject is 93%, which is considered stabilized occupancy" (p. 41).

RENT ANALYSIS (Tenant-Paid Net Rents)							
Unit Type (% AMI)			Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR	618 SF	60%	\$530	\$583	\$525	\$583	\$53
2 BR	767 SF	60%	604	664	625	664	60
3 BR	993 SF	60%	717	789	750	789	72
4 BR	1,108 SF	60%	765	842	875	842	77

Market Impact:

The Market Analyst did not explicitly discuss the market impact. However, the Analyst indicates that the property is currently stabilized, and therefore the Underwriter believes the rehabilitation will have no impact on existing properties.

Comments:

As indicated above, the Market Analyst's methodology for determining demand is inconsistent with the Department guidelines. However, the Analyst provided sufficient data for the Underwriter to derive a capture rate that is within the Department's guideline. Moreover, the property is currently operating at a stabilized occupancy of 94%; therefore, use of the inclusive capture rate is not an effective tool for estimating demand. The market study 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 equal to the program gross rent limits less utility allowances as reflected in the property's current HAP contract. The Applicant included the difference between the projected HAP rents and the program net rents as a source of secondary income. However, the Underwriter has used the full projected HAP rents to determine potential gross rent. Despite this methodological difference, the Applicant's HAP subsidy plus rent collected is roughly comparable to the Underwriter's potential gross rent estimate.

The Applicant expects to receive a 10% increase from the current HAP contract rents, and the Underwriter has based the proforma analysis on the higher projected rents. As indicated above, the market rents determined by the Market Analyst are significantly lower than the projected HAP rents. Rent increases must generally be supported by comparable market rents; however, there are some exceptions allowed by HUD. The Applicant has indicated that the subject property will be exempt from the comparable market rent cap on the contract rents due to the non-HUD/FHA insured mortgage proposed. This was not confirmed with supporting documentation; therefore, receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines is a condition of this report.

Assuming that above market contract rents can be secured, the HAP contract indicates two mechanisms for increases in the contract rents: (1) increases based on the Operating Cost Adjustment Factor (OCAF); or (2) budget-based rent increases. The OCAF is applied to the current contract rent less the debt service attributed to each unit. Therefore, the 5.1% 2008 OCAF is likely to allow for a 3.03% increase over the current rents after debt service is considered (the 2008 OCAF is effective Feb 2008). The Underwriter ran a sensitivity analysis on the minimum rent increase needed in order to maintain financial feasibility and determined that the property needs at least a 9% increase over the current HAP contract rents.

Based on the recent historical OCAF increases, the HUD is unlikely to approve a 2009 OCAF large enough to achieve the full 9% increase over the current contract rents during 2009. Therefore, the Applicant may be required to seek a budget-based rent increase in order to ensure that the total increase amounts to the 9% required for financial feasibility. The HUD budget-based increase guidelines indicate that the "original" debt service can be expensed for the purpose of determining a budget-based increase in the contract rents. The property had an original 221(d)(4) mortgage of \$4,128,100, and it is unclear if this lower original debt amount will adversely affect the Applicant's ability to support the rent increase needed as the terms of the original financing were not provided.

The Underwriter contacted the HAP Contract Administrator and confirmed that similar increases in HAP contract rents had been recently approved for properties rehabilitated and restructured with conventional debt, although no opinion regarding the subject property was given. Due to the large contract rent increase needed, receipt, review, and acceptance, by cost certification, of approval of an increase over the current HAP contract rents of at least 9% is a condition of this report.

The Applicant has included typical secondary income of \$7.50 per unit per month and GIC/Interest Income of \$21,192 annually. While the Applicant's typical secondary income is in line with Department standards, GIC/Interest Income is not an ongoing operating source and generally considered as a development source of funds blended in with the deferred developer fee as it is a risk of the developer. Therefore, the Underwriter has capped total secondary income at the Department's maximum standard of \$15 per unit per month. The Underwriter has used vacancy and collection loss of 5% due to the maintenance of the existing HAP contract and the current 94% occupancy.

Despite the differences noted above, the Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: 4 Date of Last Applicant Revision: 11/30/2007

The Applicant has indicated total expenses of \$4,198 per unit which is within 5% of the Underwriter's estimate of \$4,305 per unit derived from actual 2005 and 2006 operations of the development, the TDHCA database, IREM, and other sources. However, a number of the Applicant's estimates of individual line items differ significantly from the Underwriter's, including: general and administrative (\$12K lower); payroll and payroll tax (\$23K higher); and property tax (\$9K lower).

The Underwriter relied heavily on the 2005 and 2006 audited financial statements to derive a number of the estimates, particularly utility and water, sewer and trash costs. It should be noted that the Underwriter's and Applicant's estimates are each well below the actual operations based on the financials provided. However, the Underwriter expects that some additional efficiency may be achieved by bringing in a new owner and the Applicant provided solid information to support the lower projected operating costs.

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 will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% 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, and after necessary adjustments to the terms and/or amounts of the anticipated debt, the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources Date: 11/15/2007
 Number of Revisions: 2 Date of Last Applicant Revision: 11/16/2007

Land Only:	9.36 acres	<u>\$610,000</u>	As of:	<u>Unclear</u>
Existing Buildings: (as-is)		<u>\$3,650,000</u>	As of:	<u>7/25/2007</u>
HAP Contract:		<u>\$696,000</u>	As of:	<u>7/25/2007</u>
Cash Reserves:		<u>\$444,000</u>	As of:	<u>7/25/2007</u>
Total Development: (as-is)		<u>\$6,010,000</u>	As of:	<u>7/25/2007</u>

Comments:

The Applicant's original appraisal did not include the required valuation of the land "as vacant" or the total "as is" value. Two revisions of the original appraisal were required in order to comply with the Department's guidelines. The land value and "as is" value are considered the fundamental components of the appraisal required for underwriting acquisition tax credit requests. The corrected revision was submitted on 11/16/2007 which is less than 60-days prior to the Department's December board meeting.

The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit an appraisal conforming to Department guidelines by the 60 day deadline. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

ASSESSED VALUE

Land Only:	9.36 acres	<u>\$203,860</u>	Tax Year:	<u>2006</u>
Existing Buildings:		<u>\$1,714,700</u>	Valuation by:	<u>Jefferson CAD</u>
Total Assessed Value:		<u>\$1,918,560</u>	Tax Rate:	<u>2.727382</u>

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement with First and Second Amendments Acreage: N/A

Contract Expiration: 1/8/2008 Valid Through Board Date? Yes No

Acquisition Cost: \$5,400,000 Other: One 60 day extension available.

Seller: Park Shadows Apartments, Ltd Related to Development Team? Yes No

Comments:

The First Amendment to the Purchase Agreement indicates that closing is contingent upon a simultaneous closing of the subject and Seville Row Apartments, which has also been underwritten for 4% HTC's. As such, this report is conditioned upon the approval of a tax credit allocation for Seville Row Apartments (TDHCA #07459).

TITLE

Comments:

No items of concern are identified.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/26/2007

Acquisition Value:

The purchase was originally structured to include a \$1,425,000 below-market seller note. The inclusion of the seller note resulted in an inflated purchase price which increased eligible acquisition basis and the requested 4% tax credit amount. However, staff expressed significant concerns about the structure of the transfer due to the inflation of the tax credit amount. Subsequently, the Applicant and seller negotiated a revised purchase price that excludes any seller financing and that reflects a \$1,425,000 decrease in the acquisition price. The revised purchase price is documented in the Second Amendment to the Purchase Agreement.

According to the purchase agreement and amendments, the majority of the purchase price will consist of the transfer of the existing first lien on the property. The Applicant has indicated that covenants in the existing note prevent prepayment of the existing first lien until September 2009. At that time, the mortgage can be extinguished but such action will result in a prepayment penalty at that time. Based on the application information, the estimated outstanding balance on the note is \$3,992,980. The remainder of the \$5,400,000 contract price will consist of cash at closing and already escrowed funds.

According to the Applicant, the loan will be assumed at closing at which time a Guaranteed Investment Contract will be funded with the tax-exempt bonds. The interest income from the GIC will go to pay principal and interest while the assumed loan is outstanding (until September 2009). Additionally, the Applicant has included approximately \$165K in "defeasance costs" that will go to pay any principal and interest on the assumed first lien that is not covered by the GIC income. In late 2009 the assumed loan will be extinguished using the bonds and a portion of the \$165K will go to pay prepayment penalties.

Due to the structure of the transaction, it is unclear if the IRS would consider the housing of the bonds for future payment of the assumed permanent loan to go directly to the acquisition of the buildings. Specifically, the structure suggests that a majority of the bond proceeds will be used to extinguish an existing first lien at a future date rather than to directly fund the acquisition. It is also slightly different from the typical structure of financing the acquisition with a conventional interim loan and then extinguishing the interim loan with bond proceeds. The structure as presented is untested in Texas as far as the Underwriter can determine. If the bonds are not going to fund the acquisition then the 50% test for the bonds may present a real risk.

In order for the development to be eligible for 4% HTC's, the tax exempt bonds must amount to more than 50% of the aggregate basis of the transaction. In some cases, IRS private letter rulings have suggested the 50% test should be applied to the acquisition and rehabilitation separately. For the subject transaction, if the bonds are not considered to fund the acquisition and the 50% test is applied to the acquisition separate from the rehabilitation, then the application may not qualify for a 4% tax credit allocation.

The Underwriter presented these concerns to the Applicant and requested a legal opinion addressing this matter. The legal opinion suggests that the structure of the transaction would satisfy the 50% test because the test should be applied to the entire aggregate basis (not separately to acquisition and rehabilitation) and that the bond closing documents will specifically and explicitly reserve a portion of the bond proceeds for acquisition. The letter states, "It will be clear from the bond documents that a portion of the bond proceeds must be used to finance the acquisition of the Development through reimbursement or repayment of the advances made under the Existing Mortgage" (letter dated 12/4/2007).

Despite the concerns expressed above, the Underwriter has accepted the legal opinion but also maintains that the structure is a risk associated with this transaction.

The Applicant has indicated that the existing reserve balance will transfer with the property. This amount has been estimated at \$435,898, which is consistent with the latest audited financial statements provided. This balance will be maintained by the partnership and has therefore also been reflected as a comparable source and use of funds. The reserve balance is not included in the contract price.

For determination of eligible basis, the Applicant has calculated the eligible building value as the contract price less the assessed land value (\$5,400,000 - 203,860). The Underwriter has applied the ratio of appraised land value to total value (12.31%) to the contract price of \$5,400,000 to derive an eligible building value of \$4,735,351.

Sitework Cost:

The Applicant has estimated sitework costs of \$1,656 per unit which is slightly less than the property condition assessment (PCA) value of \$1,667 per unit. Per the Department's guidelines, the Underwriter has used the PCA estimate.

The Applicant's original PCA provided no estimate for the immediate need repairs or the additional scope of work items planned by the developer. This is a fundamental component of the PCA that is required for the development cost evaluation during underwriting. The Applicant provided two revisions of the PCA in order to comply with the Department's guidelines and to reconcile the differences between the PCA provider's information and the Applicant's. The final reconciled PCA which included the minimum necessary components required by the Department's rules for PCA's was provided to the Department on 11/14/2007.

The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit a PCA conforming to Department guidelines by the 60 day deadline. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

Direct Construction Cost:

The Applicant's direct construction cost estimate is 0.25% higher than the Underwriter's cost estimate derived from the revised PCA provided by the Applicant. The revised PCA estimate appears to be based on the scope of work provided by the developer. As indicated above, the PCA was revised twice in order to comply with the Department's guidelines and was not submitted within 60 days of the December TDHCA Board meeting.

Capitalized Operations:

The Applicant's cost schedule reflects that a portion of the expenses and interest during construction are anticipated to be capitalizable. As such, the Applicant has included \$387,217 in "capitalized operations" in eligible basis. The Underwriter has treated this cost as eligible interim interest expense due to the embedding of interest expense in this line item and because a majority of the expenses incurred during construction will likely be expensed as an operating cost as is typical for rehab properties that maintain a high occupancy level during construction.

Contingency & Fees:

The Applicant has allocated developer fees between the acquisition and the rehabilitation disproportionately. This results in a 30% boost on a portion of the developer fee that should be attributed to the acquisition. The Underwriter has adjusted the allocation of developer fees according to the Department's guidelines.

Additionally, the Applicant included soft cost contingency which has been shifted to the hard cost contingency line item in accordance with Department guidelines.

Conclusion:

The Underwriter's cost schedule was derived from the revised third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. The revised PCA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter's development cost schedule, as derived from the revised PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$11,962,811 supports annual tax credits of \$506,614. 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: 12/3/2007

Issuer: Jefferson County HFC
Source: Dougherty & Company, LLC Type: Interim to Permanent Bond Financing

Tax-Exempt: \$6,850,000 Interest Rate: 6.25% Fixed Amort: 420 months

Comments:

The Applicant has a reservation of tax-exempt Mortgage Revenue Bonds for up to \$8,500,000. The lender's commitment and Applicant's revised sources and uses of funds indicate that \$6,850,000 will be utilized. The interest rate is estimated; the actual rate is subject to market conditions at the time of the

Source: Alliant Capital, Ltd Type: Syndication

Proceeds: \$5,691,040 Syndication Rate: 98% Anticipated HTC: \$580,834

Comments:

The syndication commitment is based on a significantly higher anticipated HTC allocation. The Applicant has revised the financing structure and acquisition price since receiving the commitment. Additionally, it appears the Applicant has used a lower credit price based on the revised request and estimated equity contribution reflected in the latest sources and uses of funds. The Underwriter has used the terms reflected in the syndication commitment.

Amount: \$386,560 Type: Capitalized Operations

Comments:

The Applicant has included capitalized operations (expenses and interest) during the rehabilitation period in the development costs. The Applicant has included \$386,560 in "capitalized operations" as a source of funds and \$387,217 as a use of funds, which effectively indicates that the Applicant expects regular operating income of approximately \$387K during construction to offset capitalized expenses.

The Underwriter has combined this source with deferred developer fee in the recommended financing structure as it is currently unclear how the property will operate during construction or what occupancy level will be sustained and such matters are a risk of the developer.

Amount: \$24,324 Type: GIC/Interest Income

Comments:

The Applicant has included GIC interest income from the bonds during the construction period. The estimated income from this source is relatively small due to the large portion of the bonds that will be utilized to purchase the property prior to construction. The Underwriter has blended this source with developer fee to be deferred due to the risk associated with projected future interest earnings.

Amount: \$435,898 Type: Existing Reserves

Comments:

The existing reserve account will be transferred to the partnership at closing. The Applicant has included the estimated existing reserve balance as both a source and use of funds. Therefore, the reserve account has no net effect on the transaction. The balance indicated is consistent with the audited financial statements provided.

Amount: \$1,612,803 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the estimated permanent loan of \$6,850,000 and \$435,898 in cash reserves indicates the need for \$6,925,978 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$706,873 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$546,051), the gap-driven amount (\$706,873), and eligible basis-derived estimate (\$506,614), the eligible basis-derived estimate of \$506,614 would be recommended should the Board choose to waive the 60-day rule for the subject transaction. The resulting syndication proceeds would be \$4,963,826 based on a syndication rate of 98%.

The Underwriter's recommended financing structure indicates the need for \$1,962,152 in additional permanent funds. This amount is in excess of the available developer fee; however, if the general contractor is willing to defer a portion of the contractor fee, the \$1,962,152 in deferred developer and contractor fees is projected to be repayable within 15 years of stabilized operation. The Applicant provided a signed letter from the third-party contractor indicating that the contractor is willing to defer contractor fee for the subject development, if necessary, in order to balance the overall development budget.

As indicated above, the Applicant has violated the 60-day rule due to significant defects in the original PCA and appraisal. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>12/13/2007</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>12/13/2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>12/13/2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Park Shadows Apartments, Beaumont, 4% HTC #07458

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 60%/HAP	40	1	1	618	\$569	\$583	\$23,320	\$0.94	\$55.00	\$47.00
TC 60%/HAP	62	2	1	767	682	664	41,193	0.87	89.00	56.00
TC 60%/HAP	44	3	1.5	993	789	789	34,703	0.79	89.00	65.00
TC 60%/HAP	4	4	2	1,108	880	842	3,366	0.76	155.00	75.00
TOTAL:	150		AVERAGE:	803		\$684	\$102,582	\$0.85	\$81.69	\$56.75

INCOME Total Net Rentable Sq Ft: 120,398

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

GIC/Interest Income

HAP Subsidy

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -5.00%

Employee or Other Non-Rental Units or Concessions

TDHCA	APPLICANT
\$1,230,979	\$1,092,312
27,000	13,500
0	21,192
0	131,952
\$1,257,979	\$1,258,956
(62,899)	(61,212)
0	0
\$1,195,080	\$1,197,744

COUNTY	IREM REGION	COMPT. REGION
Jefferson		5
\$7.50	Per Unit Per Month	
\$11.77	Per Unit Per Month	
\$73.31	Per Unit Per Month	
-4.86%	of Potential Gross Income	

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.67%	\$292	0.36
Management	5.00%	398	0.50
Payroll & Payroll Tax	12.96%	1,033	1.29
Repairs & Maintenance	7.00%	558	0.69
Utilities	4.04%	322	0.40
Water, Sewer, & Trash	7.52%	599	0.75
Property Insurance	3.61%	287	0.36
Property Tax 2.727382	5.13%	409	0.51
Reserve for Replacements	3.77%	300	0.37
TDHCA Compliance Fees	0.50%	40	0.05
Other: Security	0.84%	67	0.08
TOTAL EXPENSES	54.04%	\$4,305	\$5.36
NET OPERATING INC	45.96%	\$3,662	\$4.56

TDHCA	APPLICANT
\$43,846	\$31,500
59,754	59,887
154,937	177,500
83,665	82,500
48,296	40,274
89,834	81,768
43,094	43,094
61,366	52,236
45,000	45,000
6,000	6,000
10,000	10,000
\$645,791	\$629,759
\$549,289	\$567,985

PER SQ FT	PER UNIT	% OF EGI
\$0.26	\$210	2.63%
0.50	399	5.00%
1.47	1,183	14.82%
0.69	550	6.89%
0.33	268	3.36%
0.68	545	6.83%
0.36	287	3.60%
0.43	348	4.36%
0.37	300	3.76%
0.05	40	0.50%
0.08	67	0.83%
\$5.23	\$4,198	52.58%
\$4.72	\$3,787	47.42%

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
Mortgage Revenue Bonds	40.38%	\$3,217	\$4.01
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	5.58%	\$445	\$0.55

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

TDHCA	APPLICANT
\$482,577	\$455,102
0	0
0	0
\$66,712	\$112,883
1.14	1.25
	1.18

PER SQ FT	PER UNIT	% OF EGI
\$3.78	\$3,034	38.00%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.94	\$753	9.42%

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		42.59%	\$40,356	\$50.28
Off-Sites		0.00%	0	0.00
Sitework		1.76%	1,667	2.08
Direct Construction		27.44%	26,000	32.39
Contingency	5.85%	1.71%	1,620	2.02
Contractor's Fees	13.96%	4.08%	3,863	4.81
Indirect Construction		1.61%	1,523	1.90
Ineligible Costs		3.10%	2,941	3.66
Developer's Fees	15.00%	10.98%	10,402	12.96
Interim Financing		3.28%	3,108	3.87
Reserves		3.45%	3,266	4.07
TOTAL COST		100.00%	\$94,746	\$118.04
Construction Cost Recap		34.99%	\$33,149	\$41.30

TDHCA	APPLICANT
\$6,053,402	\$6,053,402
0	0
250,000	248,429
3,900,000	3,890,329
242,938	242,938
579,425	579,425
228,500	228,500
441,146	441,146
1,560,367	1,627,798
466,230	466,230
489,868	489,868
\$14,211,876	\$14,268,065

PER SQ FT	PER UNIT	% of TOTAL
\$50.28	\$40,356	42.43%
0.00	0	0.00%
2.06	1,656	1.74%
32.31	25,936	27.27%
2.02	1,620	1.70%
4.81	3,863	4.06%
1.90	1,523	1.60%
3.66	2,941	3.09%
13.52	10,852	11.41%
3.87	3,108	3.27%
4.07	3,266	3.43%
\$118.51	\$95,120	100.00%
\$41.21	\$33,074	34.77%

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT
Mortgage Revenue Bonds	48.20%	\$45,667	\$56.89
Existing Reserves	3.07%	\$2,906	\$3.62
HTC Syndication Proceeds	34.76%	\$32,938	\$41.04
GIC/Interest Income	0.00%	\$0	\$0.00
Capitalized Operations	0.00%	\$0	\$0.00
Cash Equity	0.00%	\$0	\$0.00
Deferred Developer Fees	11.35%	\$10,752	\$13.40
Additional (Excess) Funds Req'd	2.62%	\$2,483	\$3.09
TOTAL SOURCES			

TDHCA	APPLICANT	RECOMMENDED	
\$6,850,000	\$6,850,000	\$6,850,000	Developer Fee Available
435,898	435,898	435,898	\$1,627,798
4,940,730	4,940,730	4,963,826	Contractor Fee Available
0	24,324	0	\$579,425
0	386,560	0	% of Dev. Fee Deferred
0	0	0	121%
1,612,803	1,612,803	1,962,152	
372,445	17,750	0	15-Yr Cumulative Cash Flow
\$14,211,876	\$14,268,065	\$14,211,876	\$2,425,413

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Park Shadows Apartments, Beaumont, 4% HTC #07458

PAYMENT COMPUTATION

Primary	\$6,850,000	Amort	420
Int Rate	6.25%	DCR	1.14

Secondary	\$0	Amort	
Int Rate		Subtotal DCR	1.14

Additional	\$4,940,730	Amort	
Int Rate		Aggregate DCR	1.14

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$482,577
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$85,408

Primary	\$6,850,000	Amort	420
Int Rate	6.25%	DCR	1.18

Secondary	\$0	Amort	420
Int Rate	6.25%	Subtotal DCR	1.18

Additional	\$4,940,730	Amort	0
Int Rate	0.00%	Aggregate DCR	1.18

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

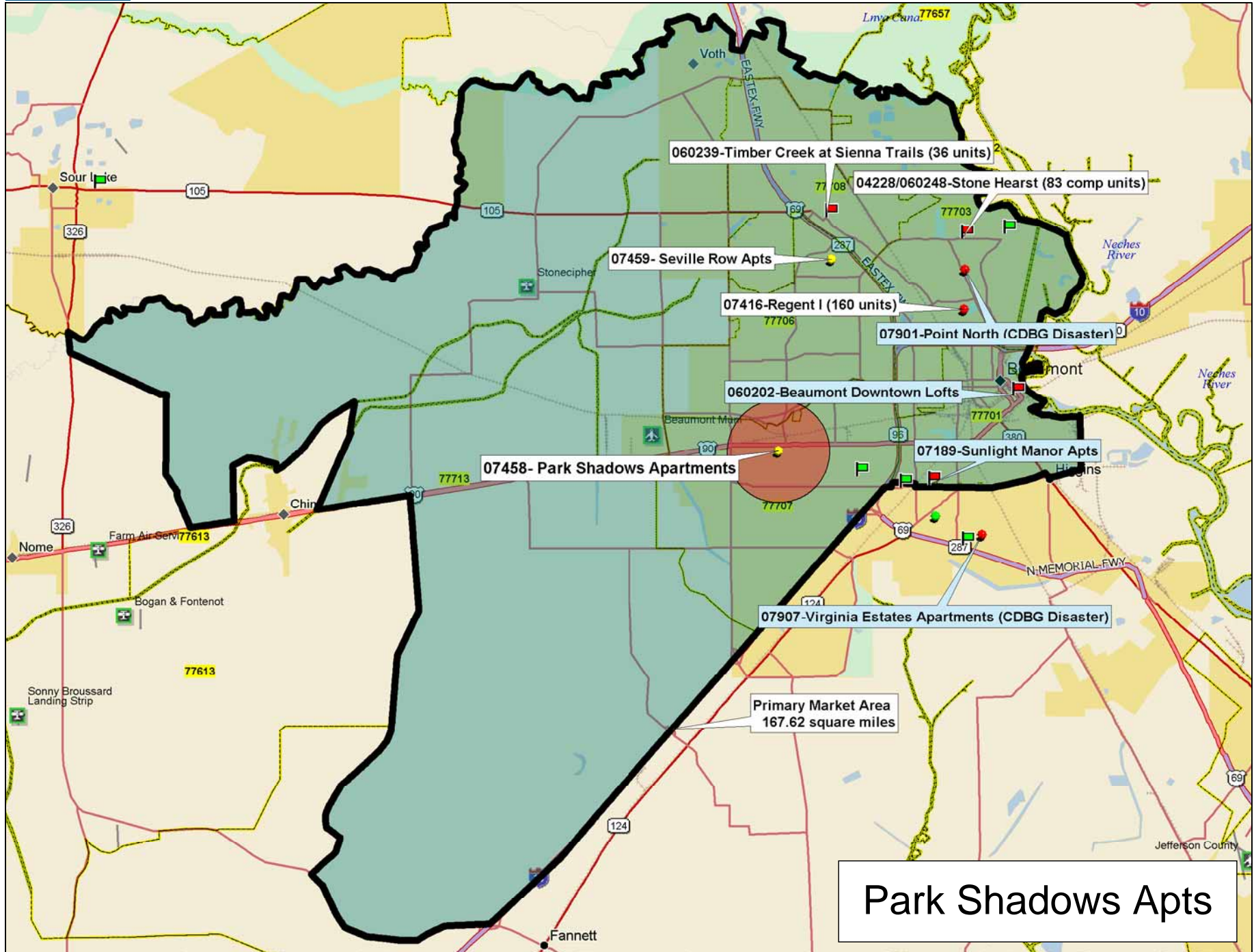
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,092,312	\$1,125,081	\$1,158,834	\$1,193,599	\$1,229,407	\$1,425,219	\$1,652,220	\$1,915,376	\$2,574,105
Secondary Income	13,500	13,905	14,322	14,752	15,194	17,614	20,420	23,672	31,814
GIC Interest Income	21,192	21,828	22,483	23,157	23,852	27,651	32,055	37,160	49,940
HAP Subsidy	131,952	135,911	139,988	144,188	148,513	172,167	199,589	231,379	310,954
POTENTIAL GROSS INCOME	1,258,956	1,296,725	1,335,626	1,375,695	1,416,966	1,642,652	1,904,284	2,207,587	2,966,812
Vacancy & Collection Loss	(61,212)	(64,836)	(66,781)	(68,785)	(70,848)	(82,133)	(95,214)	(110,379)	(148,341)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,197,744	\$1,231,888	\$1,268,845	\$1,306,910	\$1,346,118	\$1,560,519	\$1,809,070	\$2,097,208	\$2,818,472
EXPENSES at 4.00%									
General & Administrative	\$31,500	\$32,760	\$34,070	\$35,433	\$36,851	\$44,834	\$54,548	\$66,366	\$98,238
Management	59,887	61,594	63,442	65,345	67,306	78,026	90,453	104,860	140,923
Payroll & Payroll Tax	177,500	184,600	191,984	199,663	207,650	252,638	307,373	373,966	553,561
Repairs & Maintenance	82,500	85,800	89,232	92,801	96,513	117,423	142,863	173,815	257,289
Utilities	40,274	41,885	43,560	45,303	47,115	57,322	69,741	84,851	125,600
Water, Sewer & Trash	81,768	85,039	88,441	91,978	95,657	116,382	141,596	172,274	255,007
Insurance	43,094	44,818	46,610	48,475	50,414	61,336	74,625	90,793	134,395
Property Tax	52,236	54,325	56,498	58,758	61,109	74,348	90,456	110,053	162,906
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
TOTAL EXPENSES	\$629,759	\$654,262	\$679,816	\$706,374	\$733,976	\$889,132	\$1,077,288	\$1,305,495	\$1,918,157
NET OPERATING INCOME	\$567,985	\$577,627	\$589,029	\$600,536	\$612,142	\$671,388	\$731,782	\$791,712	\$900,315
DEBT SERVICE									
First Lien Financing	\$482,577	\$482,577	\$482,577	\$482,577	\$482,577	\$482,577	\$482,577	\$482,577	\$482,577
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	\$85,408	\$95,050	\$106,452	\$117,959	\$129,565	\$188,811	\$249,205	\$309,135	\$417,738
DEBT COVERAGE RATIO	1.18	1.20	1.22	1.24	1.27	1.39	1.52	1.64	1.87

HTC ALLOCATION ANALYSIS -Park Shadows Apartments, Beaumont, 4% HTC #07458

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$857,262	\$1,318,051				
Purchase of buildings	\$5,196,140	\$4,735,351	\$5,196,140	\$4,735,351		
Off-Site Improvements						
Sitework	\$248,429	\$250,000			\$248,429	\$250,000
Construction Hard Costs	\$3,890,329	\$3,900,000			\$3,890,329	\$3,900,000
Contractor Fees	\$579,425	\$579,425			\$579,425	\$579,425
Contingencies	\$242,938	\$242,938			\$242,938	\$242,938
Eligible Indirect Fees	\$228,500	\$228,500			\$228,500	\$228,500
Eligible Financing Fees	\$466,230	\$466,230			\$466,230	\$466,230
All Ineligible Costs	\$441,146	\$441,146				
Developer Fees				\$710,303		\$850,064
Developer Fees	\$1,627,798	\$1,560,367	\$779,421		\$848,378	
Development Reserves	\$489,868	\$489,868				
TOTAL DEVELOPMENT COSTS	\$14,268,065	\$14,211,876	\$5,975,561	\$5,445,654	\$6,504,229	\$6,517,157

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			\$5,975,561	\$5,445,654	\$6,504,229	\$6,517,157
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$5,975,561	\$5,445,654	\$8,455,497	\$8,472,304
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$5,975,561	\$5,445,654	\$8,455,497	\$8,472,304
Applicable Percentage			3.64%	3.64%	3.64%	3.64%
TOTAL AMOUNT OF TAX CREDITS			\$217,510	\$198,222	\$307,780	\$308,392

Syndication Proceeds	0.9798	\$2,131,178	\$1,942,187	\$3,015,644	\$3,021,639
Total Tax Credits (Eligible Basis Method)				\$525,291	\$506,614
Syndication Proceeds				\$5,146,822	\$4,963,826
Requested Tax Credits				\$546,051	
Syndication Proceeds				\$5,350,234	
Gap of Syndication Proceeds Needed				\$6,982,167	\$6,925,978
Total Tax Credits (Gap Method)				\$712,608	\$706,873



Park Shadows Apts

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www.delorme.com



Scale 1 : 162,500



1" = 2.56 mi

Data Zoom 10-3

Applicant Evaluation

Project ID # **07458**

Name: **Beaumont Leased Housing**

City: **Beaumont**

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: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
 in application No

not yet monitored or pending review: 0

of projects not reported 0

Contract Monitoring

Single Audit

Monitoring review not applicable
 Review found no unresolved issues
 HOME RHD outstanding monitoring issues
 Audit finding or questioned/disallowed costs -
 in corrective action period
 Unresolved audit finding or questioned/
 disallowed costs (comments attached)

Single audit review not applicable
 Single audit review found no unresolved issues
 Late certification (comments attached)
 Past due single audit or unresolved single
 audit issue (comments attached)

Reviewer: Wendy Quackenbush Date 12/12/2007

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 12/12/2007

HOME

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Lora Lange
 Date 12/12/2007

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer D. Burrell
 Date 12/12/2007

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer AMO
 Date 12/12/2007

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that
 warrant disqualification
 (Comments attached)

Reviewer Robert Stevenson
 Date 12/12/2007

Financial Administration

No delinquencies found
 Delinquencies found
 (Comments attached)

Reviewer Stephanie A. D'Couto
 Date 12/12/2007

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
December 20, 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 Seville Apartments, #07459.

Summary of the Transaction

Background and General Information: The application was received on September 26, 2007. The Issuer for this Priority 3 transaction is Jefferson County HFC with a reservation of allocation that expires on February 9, 2008. The development proposes the acquisition and rehabilitation of 90 total units targeting the elderly population. The development is proposed for the City of Beaumont, Jefferson County and 100% of the units are proposed to be restricted. The site is currently zoned for such a development.

Staff notes that according to §49.12(a)(2) of the 2007 Qualified Allocation Plan “any outstanding documentation required under this section must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested.” The Applicant violated this rule by failing to submit a Property Condition Assessment or an Appraisal that conformed to the Department’s guidelines by the 60 day deadline.

Organizational Structure and Compliance: The Borrower is Beaumont Leased Housing Associates II, Limited Partnership and the General Partner is Beaumont Leased Housing Associates II, LLC. of which David L. Brierton has 20% ownership interest, Jack W. Safar has 20% ownership interest, Armand E. Brachman has 20% ownership interest, Paul R. Sween has 20% ownership interest and Mark S Moorhouse has 20% ownership interest. The Compliance Status Summary completed on December 12, 2007 reveals that the principals of the general partner do not have any properties that have been monitored by the Department.

Census Demographics: The development is located at 4325 Crow Road in Beaumont. Demographics for the census tract (3.01) include AMFI of \$68,432; the total population is 7,027; the percent of population that is minority is 30.35%; the percent of population that is below the poverty line is 8.01%; the number of owner occupied units is 1,553; the number of renter units is 1,810 and the number of vacant units is 253. The percentage of population that is minority for the entire City of Beaumont is 57% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support and no letters of opposition.

Recommendation

Staff recommends the Board deny the issuance of a Determination Notice of \$308,379 in Housing Tax Credits for Seville Row Apartments for violation of the 60 day requirement as stated in §49.12(a)(2) of the 2007 Qualified Allocation Plan.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Seville Row Apartments, TDHCA Number 07459

BASIC DEVELOPMENT INFORMATION

Site Address: 4325 Crow Road Development #: 07459
 City: Beaumont Region: 5 Population Served: Elderly
 County: Jefferson Zip Code: 77706 Allocation: Urban/Exurban
 HOME Set Asides: CHDO Preservation General Purpose/Activity: RH
 Bond Issuer: Jefferson County HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner: Beaumont Leased Housing Associates II, Limited Partnership
 Owner Contact and Phone: Mark Moorhouse (763) 354-5613
 Developer: Beaumont Leased Housing Associates II, LLC
 Housing General Contractor: Benson-Orth Associates, Inc.
 Architect: BKV Group
 Market Analyst: Integra Realty Resources
 Syndicator: Alliant Capital, Ltd.
 Supportive Services: To Be Determined
 Consultant: Dougherty & Company, LLC

UNIT/BUILDING INFORMATION

<u>30%</u>	<u>40%</u>	<u>50%</u>	<u>60%</u>	<u>Eff</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4 BR</u>	<u>5 BR</u>	Total Restricted Units:	90	
0	0	0	90	16	68	6	0	0	0	Market Rate Units:	0	
Type of Building: <input checked="" type="checkbox"/> 4 units or more per building											Owner/Employee Units:	0
<input type="checkbox"/> Duplex	<input type="checkbox"/> Detached Residence									Total Development Units:	90	
<input type="checkbox"/> Triplex	<input type="checkbox"/> Single Room Occupancy									Total Development Cost:	\$8,412,897	
<input type="checkbox"/> Fourplex	<input type="checkbox"/> Transitional									Number of Residential Buildings:	1	
<input type="checkbox"/> Townhome											HOME High Total Units:	0
											HOME Low Total Units:	0

Note: If Development Cost = \$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	<u>Applicant Request</u>	<u>Department Analysis</u>	<u>Amort</u>	<u>Term</u>	<u>Rate</u>
4% Housing Tax Credits with Bonds:	\$312,104	\$0	0	0	0%
TDHCA Bond Allocation Amount:	\$0	\$0	0	0	0%
HOME Activity Fund Amount:	\$0	\$0	0	0	0%
HOME CHDO Operating Grant Amount:	\$0	\$0			



**MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Seville Row Apartments, TDHCA Number 07459**

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Williams, District 4	NC	US Representative: Poe, District 2, NC
TX Representative: Ritter, District 21	NC	US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Becky Ames, Mayor, City of Beaumont - Resolution of Support from Local Government
NC

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Not Recommended due to the following: The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)) by failing to submit a Property Condition Assessment or an Appraisal conforming to Department guidelines by the 60 day deadline.

Should the Board waive the above rule and approve this Application, the award should be conditioned upon the following:

1. 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)."
2. A 4% HTC allocation not to exceed \$308,379.
3. Approval of a tax credit allocation for Park Shadows Apartments (TDHCA #07458) at the December 20, 2007 TDHCA Board meeting.
4. Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program.
5. Receipt, review, and acceptance, by cost certification, of a 20-year renewal of the existing HAP contract as proposed in order to meet the Department's floodplain requirements in §49.6 (a) of the 2007 QAP.
6. Receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines.
7. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION
December 20, 2007
Development Information, Public Input and Board Summary
Seville Row Apartments, TDHCA Number 07459

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

4% Housing Tax Credits:	Credit Amount:	\$0
Recommendation: Not Recommended		
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: 12/13/07 PROGRAM: 4% HTC FILE NUMBER: 07459

DEVELOPMENT

Seville Row Apartments

Location: 4325 Crow Road Region: 5
 City: Beaumont County: Jefferson Zip: 77706 OCT DDA
 Key Attributes: Elderly, Urban/exurban, Acquisition/rehabilitation

ALLOCATION

TDHCA Program	REQUEST*			RECOMMENDATION		
	Amount	Interest	Amort/Term	Amount	Interest	Amort/Term
Housing Tax Credit (Annual)	\$312,104			\$0		

* The requested HTC allocation was revised on several occasions during underwriting. The final revised request is dated 11/26/2007.

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit a PCA or an Appraisal conforming to Department guidelines by the 60 day deadline.

SHOULD THE BOARD WAIVE THE ABOVE RULE AND APPROVE THIS APPLICATION, THE AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 4% HTC allocation not to exceed \$308,379.
- 2 Approval of a tax credit allocation for Park Shadows Apartments (TDHCA #07458) at the December 20, 2007 TDHCA Board meeting.
- 3 Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program.
- 4 Receipt, review, and acceptance, by cost certification, of a 20-year renewal of the existing HAP contract as proposed in order to meet the Department's floodplain requirements in §49.6 (a) of the 2007 QAP.
- 5 Receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines.
- 6 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
60% of AMI	60% of AMI	90

PROS

- The application proposes the rehabilitation of a 27 year old HUD property and renewal of the existing HAP contract for 100% of the units.
- The property is currently operating at stabilized occupancy of 97%.
- The Applicant's expense to income ratio is 48%, which reflects a healthy operating margin.

CONS

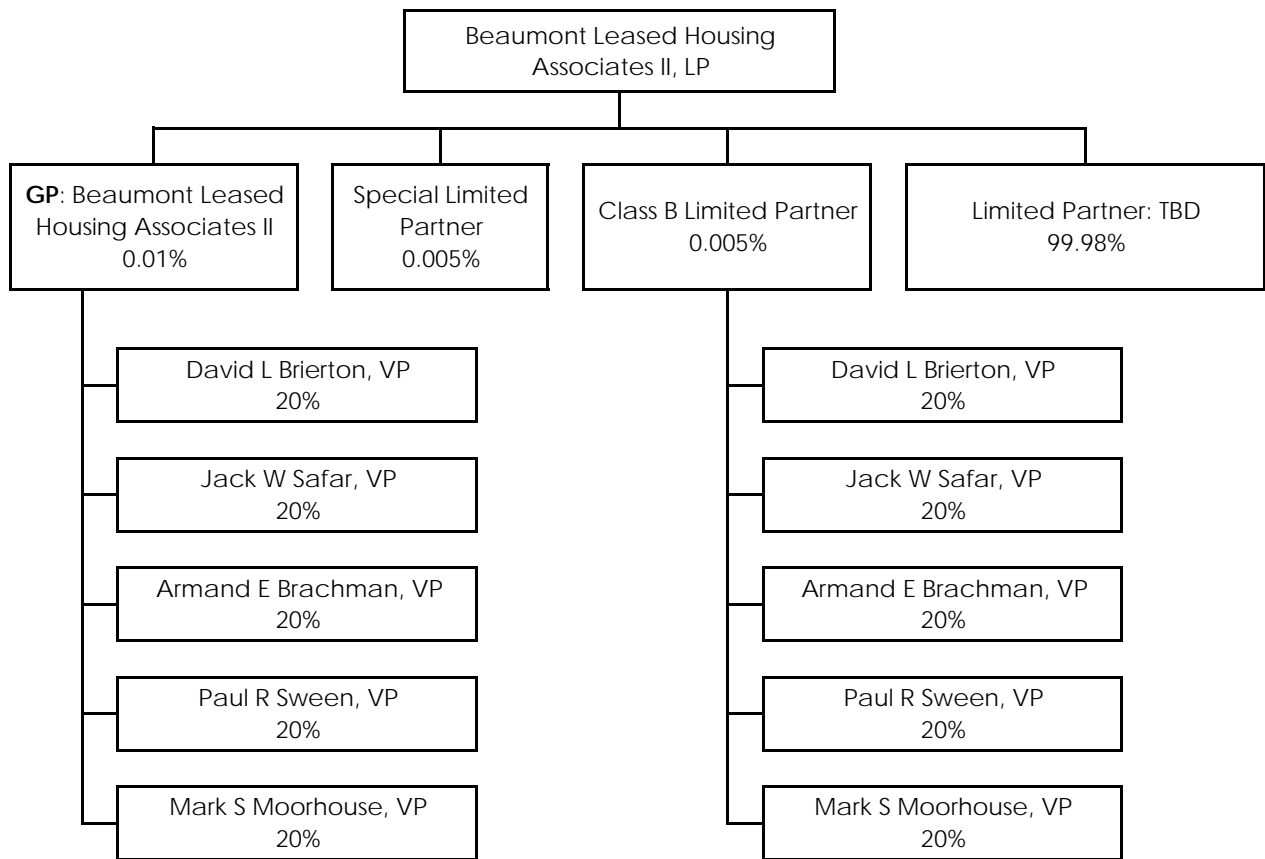
- If the HAP contract rents are limited by the market rents per HUD guidelines, the transaction may not be financially viable.
- The recommended financing structure indicates that up to 70% of the developer fee may be deferred.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Moorhouse Phone: 763.354.5613 Fax: 763.354.5633
 Email: mmoorhouse@dominioninc.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity ¹	# Completed Developments
Beaumont Leased Housing Associates II, LP	No material assets		Not Yet Formed
David L Brierton	Confidential		0 LIHTC Developments in Texas
Jack W Safar	Confidential		0 LIHTC Developments in Texas
Armand E Brachman	Confidential		0 LIHTC Developments in Texas
Paul R Sween	Confidential		0 LIHTC Developments in Texas
Mark S Moorhouse	Confidential		0 LIHTC Developments in Texas

¹ Liquidity = Current Assets - Current Liabilities

Comments:

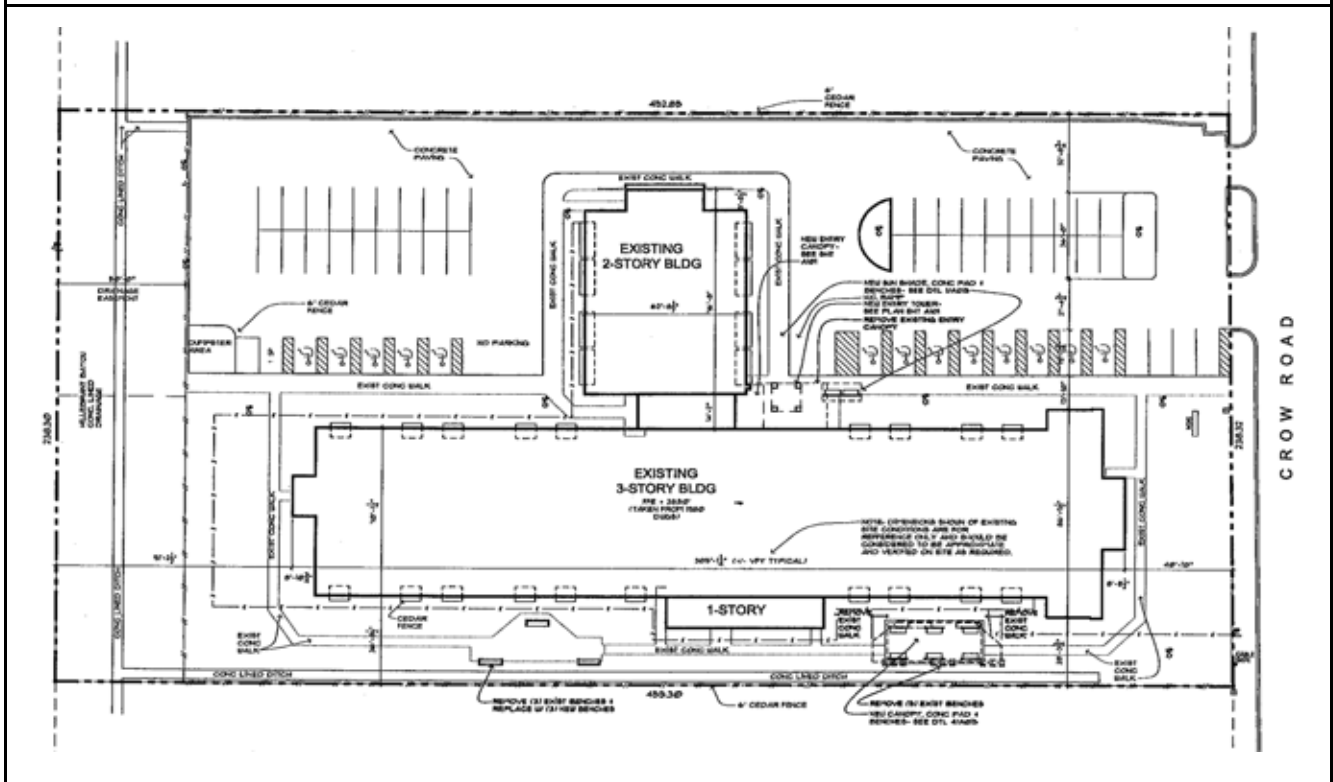
While the development team participants have no experience with the LIHTC program in Texas, the participants appear to have significant experience with the acquisition and rehabilitation of properties in several other states.

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, supportive service provider, and property manager are related entities. These are common relationships for HTC-funded developments.
- The transaction was originally structured with a below market seller note that resulted in an inflated purchase price and use of additional 4% tax credits. Staff expressed concerns about this structure and the Applicant restructured the purchase to exclude the seller note. The restructured acquisition reduced the purchase price by the amount of the seller note (\$630,000).

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	3										
Number	1										1

BR/BA	SF	Units									Total Units	Total SF
0/1	461	16									16	7,376
1/1	503	68									68	34,204
2/1	700	6									6	4,200
Units per Building	90										90	45,780

SITE ISSUES

Total Size: 2.4707 acres Scattered site? Yes No
 Flood Zone: A Within 100-yr floodplain? Yes No
 Zoning: Residential MF Needs to be re-zoned? Yes No N/A

Comments:

The entire site appears to be located within Zone A, which is identified as "areas inundated by 100-year flood with no base elevations determined." Generally, such a property would be required to meet the Department's new construction standards for developments within the floodplain (cited below); however, the property currently receives rental assistance through a HAP contract with HUD and the Applicant anticipates continuation of the existing HAP contract with a 20 year renewal. If the property continues to receive HUD funds, the property is considered exempt from the floodplain requirements of the QAP as defined below. Should the HAP contract not be renewed by the expiration of the existing contract on June 1, 2008, the Applicant may not be eligible for 4% tax credits. Therefore, receipt, review, and acceptance, by cost certification, of a 20-year renewal of the existing HAP contract as proposed in order to meet the Department's floodplain requirements in §49.6 (a) of the 2007 QAP is a condition of this report.

2007 QAP §49.6 (a) Floodplain. Any Development proposing New Construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for New Construction.

TDHCA SITE INSPECTION

Inspector: Diane Ledet Date: 10/5/2007

Overall Assessment:

Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:

North: Multifamily property followed by commercial and retail
 South: Crow Rd followed by churches, single family, and retail
 East: Multifamily property followed by single family
 West: Retail shopping center followed by additional retail

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Peer Engineering Date: 8/8/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- A limited sampling of suspect asbestos containing material was performed by Peer Engineering. Two of three samples of sink undercoating were determined to contain 10% asbestos. The report states, "If the sinks must be replaced as part of renovation, they should be removed and disposed by a licensed asbestos abatement contractor in accordance with applicable federal, state, or local requirements. If the sinks will be left in place, then the asbestos-containing undercoating should be managed through an Operations and Maintenance (O&M) Program" (p. 12).

Comments:

Receipt, review, and acceptance, by cost certification, of documentation that asbestos containing material was removed in accordance with federal, state, and local requirements or that the material is being managed in place through an O&M Program is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 10/10/2007

Contact: Mark R Lamb Phone: 972.960.1222 Fax: --

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 167.6 square feet (7.3 mile radius)

"We consider the market area for the subject to consist of the following zip codes located within the City of Beaumont: 77701, 77702, 77703, 77706, 77707, 77708, 77710, 77713" (p. 17).

Secondary Market Area (SMA):

The Market Analyst did not delineate a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
None				N/A			

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	\$21,240	\$24,300	\$27,300	\$30,360	\$32,760	\$35,220

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
0 BR/ 60% Rent Limit	986	20	0	1,006	16	0	2%
1 BR/ 60% Rent Limit	1,131	23	0	1,154	68	0	6%
2 BR/ 60% Rent Limit	1,018	20	0	1,038	6	0	1%

Comments:

The methodology used by the Market Analyst results in overlapping demand for each unit type which lowers the calculated capture rates. However, the capture rate for each unit type is substantially below the Department maximum and the property is currently 97% occupied. Therefore, the capture rate is not an effective tool for estimating demand as indicated below.

OVERALL DEMAND						
	Target Households	Household Size	Income Eligible	Tenure	Demand	
PMA DEMAND from TURNOVER						
Market Analyst p.					65%	3,136
Underwriter	39% 15,354	94% 14,463	41% 5,956	39% 2,317	24%	556
PMA DEMAND from HOUSEHOLD GROWTH						
Market Analyst p.						63
Underwriter		94% -120	41% -47	39% -18	100%	-18
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.	0	0	0	0	3,198	0.00%
Underwriter	90	0	0	90	538	16.73%

Comments:

The Analyst's demand estimate is substantially overstated due to the use of the cumulative of the by unit type demand. The Analyst's methodology for calculating demand by unit type includes some households in the demand for more than one unit type. The Market Analyst erred in accumulating these in the total demand for the development because this would effectively double count some households.

The Market Analyst did not include any of the subject units in the capture rate calculation because the property is currently at stabilized occupancy. While this is inconsistent with the methodology used by the Department which includes all of the subject units in order to develop the capture rate calculation, current occupancy levels do play a role in the interpretation of the inclusive capture rate calculation.

The Underwriter has calculated an inclusive capture rate of 16.73%, which is well below the Department guideline. In this case because the property is well over 90% occupied and the tenant population is not expected to change, the inclusive capture rate calculation is not a meaningful tool to determine financial feasibility.

Primary Market Occupancy Rates:

"The average occupancy rates for LIHTC properties within the PMA is 98%" (p. 39). "As of the effective date of this report, the occupancy of the subject is 97%, which is considered stabilized occupancy" (p. 41).

Absorption Projections:

"No new projects have recently been completed within the PMA. Thus, we are unable to analyze absorption trends specific to the PMA. As of the effective date of this report, the occupancy of the subject is 97%, which is considered stabilized occupancy" (p. 41).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract	
0 BR 461 SF 60%	\$553	\$608	\$575	\$608	\$55	
1 BR 503 SF 60%	627	690	625	690	63	
2 BR 700 SF 60%	797	877	775	877	80	

Market Impact:

The Market Analyst did not explicitly discuss the market impact. However, the Analyst indicates that the property is currently stabilized, and therefore the Underwriter believes the rehabilitation will have no impact on existing properties.

Comments:

As indicated above, the Market Analyst's methodology for determining demand is inconsistent with the Department's guideline. However, the Analyst provided sufficient data for the Underwriter to derive a capture rate that is within the Department's guideline. Moreover, the property is currently operating at a stabilized occupancy of 97%; therefore, use of the inclusive capture rate is not an effective tool for estimating demand. The market study provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 10/12/2007

The Applicant's net rents are equal to the program gross rent limits less utility allowances as reflected in the property's current HAP contract. The Applicant included the difference between the projected HAP rents and the program net rents as a source of secondary income. However, the Underwriter has used the full projected HAP rents to determine potential gross rent. Despite this minor accounting difference, the Applicant's HAP subsidy plus rent collected is comparable to the Underwriter's potential gross rent estimate.

The Applicant expects to receive a 10% increase from the current HAP contract rents, and the Underwriter has based the proforma analysis on the higher projected rents. As indicated above, the market rents determined by the Market Analyst are significantly lower than the projected HAP rents. Rent increases must generally be supported by comparable market rents; however, there are some exceptions allowed by HUD. The Applicant has indicated that the subject property will be exempt from the comparable market rent cap on the contract rents due to the non-HUD/FHA insured mortgage proposed. This was not confirmed with supporting documentation; therefore, receipt, review, and acceptance, by closing, of documentation confirming that the contract rents for the subject property can exceed the comparable market rents per HUD guidelines is a condition of this report.

Assuming that above market contract rents are acceptable in this case, the HAP contract itself indicates two mechanisms for increases in the contract rents: (1) increases based on the Operating Cost Adjustment Factor (OCAF); or (2) budget-based rent increases. The OCAF is applied to the current contract rent less the debt service attributed to each unit. Therefore, the 5.1% 2008 OCAF is likely to allow for a 2.62% increase over the current rents after debt service is considered (the 2008 OCAF is effective Feb 2008). The Underwriter ran a sensitivity analysis on the minimum rent increase needed in order to maintain financial feasibility and determined that the property needs at least a 1.41% increase over the current HAP contract rents. Thus the already approved rent increase for 2008 exceeds this minimum required increase.

The Applicant has included typical secondary income of \$7.50 per unit per month and GIC/Interest Income of \$14,112. While the Applicant's typical secondary income is in line with Department standards, GIC/Interest Income is not an ongoing operating source and generally considered as a development source of funds blended in with the deferred developer fee as it is a risk of the developer. Therefore, the Underwriter has capped total secondary income at the Department's maximum standard of \$15 per unit per month. The Underwriter has used vacancy and collection loss of 5% due to the maintenance of the existing HAP contract and the current 97% occupancy.

Despite the differences noted above, the Applicant's effective gross income estimate is within 5% of the Underwriter's.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 12/3/2007

The Applicant has indicated total expenses of \$3,903 per unit which is within 5% of the Underwriter's estimate of \$3,797 per unit derived from actual historical operations of the development, the TDHCA database, and third-party data sources. However, a number of the Applicant's estimates of individual line items differ significantly from the Underwriter's, including: general and administrative (\$12K lower); payroll and payroll tax (\$21K higher); utilities (\$13K lower); and water, sewer, and trash (\$6K higher).

The Applicant's property insurance estimate is at the extreme low end of current estimates within this Gulf Coast region, particularly considering the inclusion of flood insurance premiums for being located within the floodplain. However, the Applicant provided an actual quote for insurance (including flood insurance) for the subject property. The Underwriter has used this quote.

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 will be used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% 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, and after necessary adjustments to the terms and/or amounts of the anticipated debt, the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources Date: 10/9/2007
 Number of Revisions: 2 Date of Last Applicant Revision: 11/16/2007
 Land Only: 2.48 acres \$216,000 As of: Unclear
 Existing Buildings: (as-is) \$3,234,000 As of: 7/25/2007
 HAP Contract: \$370,000 As of: 7/25/2007
 Cash Reserves: (rounded) \$95,000 As of: 7/25/2007
 Total Development: (as-is) \$3,915,000 As of: 7/25/2007

Comments:

The Applicant's original appraisal did not include the required valuation of the land "as vacant" or the total "as is" value. Two revisions of the original appraisal were required in order to comply with the Department's guidelines. The land value and "as is" value are considered the fundamental components of the appraisal required for underwriting acquisition tax credit requests. The corrected revision was submitted on 11/16/2007 which is less than 60-days prior to the Department's December board meeting. The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit an appraisal conforming to Department guidelines by the 60 day deadline. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

ASSESSED VALUE

Land Only: 2.48 acres \$108,030 Tax Year: 2006
 Existing Buildings: \$1,092,460 Valuation by: Jefferson CAD
 Total Assessed Value: \$1,200,490 Tax Rate: 2.727382

EVIDENCE of PROPERTY CONTROL

Type: Purchase Agreement with First and Second Amendments Acreage: N/A
 Contract Expiration: 1/8/2008 Valid Through Board Date? Yes No
 Acquisition Cost: \$3,447,720 Other: One 60 day extension available.

Seller: Seville Apartments, Ltd

Related to Development Team?

Yes No

Comments:

The First Amendment to the Purchase Agreement indicates that closing is contingent upon a simultaneous closing of the subject and Park Shadows Apartments, which has also been underwritten for 4% HTCs. As such, this report is conditioned upon the approval of a tax credit allocation for Park Shadows Apartments (TDHCA #07458).

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 11/26/2007

Acquisition Value:

The purchase was originally structured to include a \$630,000 below market seller note. The inclusion of the seller note resulted in an inflated purchase price which increased eligible acquisition basis and the requested 4% tax credit amount. However, staff expressed significant concerns about the structure of the transfer due to the inflation of the tax credit amount. Subsequently, the Applicant and seller negotiated a revised purchase price that excludes any seller financing and that reflects a \$630,000 decrease in the acquisition price. The revised purchase price is documented in the Second Amendment to the Purchase Agreement.

The Applicant has indicated that the existing reserve balance will transfer with the property. This amount has been estimated at \$77,088, which is consistent with the latest audited financial statements provided. This balance will be maintained by the partnership and has therefore also been reflected as a comparable source and use of funds. The reserve balance is not included in the purchase price. Also of note, the contract price includes a penalty associated with the prepayment of the existing first lien. This amount has been estimated to be \$147,720 but may change slightly based on the outstanding balance at closing.

For determination of eligible basis, the Applicant has calculated the eligible building value as the purchase price (including the prepayment penalty) less the appraised land value (\$3,414,720-\$351,091). The Applicant's estimated land value is greater than the "as vacant" appraised value and the assessed land value. The Underwriter has used the purchase price of \$3,414,720 less the Applicant's estimated land value of \$351,091 to derive an eligible building value of \$3,096,629.

Sitework Cost:

The Applicant has estimated sitework costs of \$1,111 per unit which is equal to the property condition assessment (PCA) value. Per the Department's guidelines, the Underwriter has used the PCA estimate.

The Applicant's original PCA provided no estimate for the immediate need repairs or the additional scope of work items planned by the developer. This is a fundamental component of the PCA that is required for the development cost evaluation during underwriting. The Applicant provided two revisions of the PCA in order to comply with the Department's guidelines and to reconcile the differences between the PCA provider's information and the Applicant's. The final reconciled PCA which included the minimum necessary components required by the Department's rules for PCA's was provided to the Department on 11/14/2007.

The Applicant violated the 2007 QAP rule regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made (10 TAC 49.12(b)), by failing to submit a PCA conforming to Department guidelines by the 60 day deadline. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

Direct Construction Cost:

The Applicant's direct construction cost estimate is 0.61% higher than the Underwriter's cost estimate derived from the revised PCA provided by the Applicant. The revised PCA estimate appears to be based on the scope of work provided by the developer. As indicated above, the PCA was revised twice in order to comply with the Department's guidelines and was not submitted within 60 days of the December TDHCA Board meeting.

Capitalized Operations:

The Applicant's cost schedule reflects that a portion of the expenses and interest during construction are anticipated to be capitalizable. As such, the Applicant has included \$171,304 in "capitalized operations" in eligible basis. The Underwriter has treated this cost as eligible interim interest expense due to the embedding of interest expense in this line item and because a majority of the expenses incurred during construction will likely be expensed as an operating cost as is typical for rehab properties that maintain a high occupancy level during construction.

Contingency & Fees:

The Applicant has allocated developer fees between the acquisition and the rehabilitation unproportionately. This results in a 30% boost on a portion of the developer fee that should be attributed to the acquisition. The Underwriter has adjusted the allocation of developer fees according to the Department's guidelines.

Additionally, the Applicant included soft cost contingency which has been shifted to the hard cost contingency line item in accordance with Department guidelines.

Conclusion:

The Underwriter's cost schedule was derived from the revised third-party Property Condition Assessment (PCA) provided by the Applicant and the information presented in the application. The revised PCA was well documented and appeared to cover the scope of work provided by the Applicant. Thus, the Underwriter's development cost schedule, as derived from the revised PCA, will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$7,338,624 supports annual tax credits of \$308,379. 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: 5 Date of Last Applicant Revision: 12/3/2007

Issuer: Jefferson County HFC
Source: Dougherty & Company, LLC Type: Interim to Permanent Bond Financing
Tax-Exempt: \$4,660,000 Interest Rate: 6.25% Fixed Amort: 420 months
Comments:

The interest rate is estimated; the actual rate is subject to market conditions at the time of the sale.

Source: Alliant Capital, Ltd Type: Syndication
Proceeds: \$3,647,260 Syndication Rate: 97.5% Anticipated HTC: \$374,152
Comments:

The syndication commitment is based on a significantly higher anticipated HTC allocation. The Applicant has revised the financing structure and acquisition price since receiving the commitment. Additionally, it appears the Applicant has used a lower credit price based on the revised request and estimated equity contribution reflected in the latest sources and uses of funds. The Underwriter has used the terms reflected in the syndication commitment.

Amount: \$170,673 Type: Capitalized Operations
Comments:

The Applicant has included capitalized operations (expenses and interest) during the rehabilitation period in the development costs. The Applicant has included \$170,673 in "capitalized operations" as a source of funds and \$171,304 as a use of funds, which effectively indicates that the Applicant expects regular operating income of approximately \$171K during construction to offset the capitalized expenses.

The Underwriter has combined this source with deferred developer fee in the recommended financing structure as it is currently unclear how the property will operate during construction or what occupancy level will be sustained and such matters are a risk of the developer.

Amount: \$17,575 Type: GIC/Interest Income

Comments:

The Applicant has included GIC interest income from the bonds during the construction period. The estimated income from this source is relatively small due to the large portion of the bonds that will be utilized to purchase the property prior to construction. The Underwriter has blended this source with developer fee to be deferred due to the risk associated with projected future interest earnings.

Amount: \$77,088 Type: Existing Reserves

Comments:

The existing reserve account will be transferred to the partnership at closing. The Applicant has included the estimated existing reserve balance as both a source and use of funds. Therefore, the reserve account has no net effect on the transaction. The balance indicated is consistent with the audited financial statements provided.

Amount: \$620,456 Type: Deferred Developer Fee/Cash Equity

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of \$4,660,000 and \$77,088 in cash reserves indicates the need for \$3,675,809 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$377,081 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$312,104), the gap-driven amount (\$377,081), and eligible basis-derived estimate (\$308,379), the eligible basis-derived estimate of \$308,379 would be recommended should the Board choose to waive the 60-day rule for the subject transaction. The resulting syndication proceeds would be \$3,006,102 based on a syndication rate of 98%.

The Underwriter's recommended financing structure indicates the need for \$669,708 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

As indicated above, the Applicant has violated the 60-day rule due to significant defects in the original PCA and appraisal. Therefore, the application is not recommended for a 4% tax credit allocation pursuant to 10 TAC 49.12(b).

Underwriter:	<u>Cameron Dorsey</u>	Date:	<u>12/13/2007</u>
Reviewing Underwriter:	<u>Raquel Morales</u>	Date:	<u>12/13/2007</u>
Director of Real Estate Analysis:	<u>Tom Gouris</u>	Date:	<u>12/13/2007</u>

MULTIFAMILY COMPARATIVE ANALYSIS

Seville Row Apartments, Beaumont, 4% HTC #07459

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 60%/HAP	16	0	1	461	\$531	\$608	\$9,728	\$1.32	\$54.00	\$27.00
TC 60%/HAP	68	1	1	503	\$569	690	46,920	1.37	66.00	32.00
TC 60%/HAP	6	2	1	700	\$682	877	5,262	1.25	69.00	37.00
TOTAL:	90		AVERAGE:	509		\$688	\$61,910	\$1.35	\$64.07	\$31.44

INCOME

Total Net Rentable Sq Ft: **45,780**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$15.00
GIC/Interest Income		
HAP Subsidy		

POTENTIAL GROSS INCOME

Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%
Employee or Other Non-Rental Units or Concessions		

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.59%	\$368	0.72
Management	5.00%	401	0.79
Payroll & Payroll Tax	11.32%	907	1.78
Repairs & Maintenance	5.72%	458	0.90
Utilities	4.93%	395	0.78
Water, Sewer, & Trash	1.19%	95	0.19
Property Insurance	3.90%	313	0.61
Property Tax	2.727382	409	0.80
Reserve for Replacements	3.74%	300	0.59
TDHCA Compliance Fees	0.50%	40	0.08
Other: Security	1.39%	111	0.22
TOTAL EXPENSES	47.39%	\$3,797	\$7.46
NET OPERATING INC	52.61%	\$4,216	\$8.29

DEBT SERVICE

Mortgage Revenue Bonds	45.52%	\$3,648	\$7.17
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	7.09%	\$568	\$1.12

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		42.34%	\$39,583	\$77.82
Off-Sites		0.00%	0	0.00
Sitework		1.19%	1,111	2.18
Direct Construction		27.58%	25,778	50.68
Contingency	5.51%	1.58%	1,481	2.91
Contractor's Fees	13.98%	4.02%	3,759	7.39
Indirect Construction		2.32%	2,172	4.27
Ineligible Costs		3.71%	3,464	6.81
Developer's Fees	14.99%	11.37%	10,630	20.90
Interim Financing		2.36%	2,202	4.33
Reserves		3.53%	3,297	6.48
TOTAL COST		100.00%	\$93,477	\$183.77
Construction Cost Recap		34.37%	\$32,129	\$63.16

SOURCES OF FUNDS

Mortgage Revenue Bonds	55.39%	\$51,778	\$101.79
Existing Reserves	0.92%	\$857	\$1.68
HTC Syndication Proceeds	34.68%	\$32,421	\$63.74
GIC/Interest Income	0.00%	\$0	\$0.00
Imputed Expenses	0.00%	\$0	\$0.00
Cash Equity	0.00%	\$0	\$0.00
Deferred Fees	7.38%	\$6,894	\$13.55
Additional (Excess) Funds Req'd	1.63%	\$1,528	\$3.00
TOTAL SOURCES			

TDHCA	APPLICANT
\$742,920	\$546,168
16,200	8,100
0	14,112
0	196,548
\$759,120	\$764,928
(37,956)	(37,140)
0	0
\$721,164	\$727,788
\$33,131	\$21,150
36,058	36,448
81,626	102,500
41,261	49,500
35,560	22,583
8,557	15,055
28,127	27,999
36,820	35,405
27,000	27,000
3,600	3,600
10,000	10,000
\$341,740	\$351,241
\$379,424	\$376,547
\$328,293	\$328,293
0	0
0	0
\$51,131	\$48,254
1.16	1.15
	1.15

COUNTY	IREM REGION	COMPT. REGION
Jefferson		5
\$7.50	Per Unit Per Month	
\$13.07	Per Unit Per Month	
\$181.99	Per Unit Per Month	
-4.86%	of Potential Gross Income	
PER SQ FT	PER UNIT	% OF EGI
\$0.46	\$235	2.91%
0.80	405	5.01%
2.24	1,139	14.08%
1.08	550	6.80%
0.49	251	3.10%
0.33	167	2.07%
0.61	311	3.85%
0.77	393	4.86%
0.59	300	3.71%
0.08	40	0.49%
0.22	111	1.37%
\$7.67	\$3,903	48.26%
\$8.23	\$4,184	51.74%
\$7.17	\$3,648	45.11%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$1.05	\$536	6.63%

TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
\$3,562,428	\$3,562,428	\$77.82	\$39,583	42.23%
0	0	0.00	0	0.00%
100,000	100,000	2.18	1,111	1.19%
2,320,000	2,316,268	50.60	25,736	27.46%
133,313	133,313	2.91	1,481	1.58%
338,277	338,277	7.39	3,759	4.01%
195,500	195,500	4.27	2,172	2.32%
311,787	311,787	6.81	3,464	3.70%
956,726	956,726	20.90	10,630	11.34%
198,179	198,179	4.33	2,202	2.35%
296,687	322,453	7.04	3,583	3.82%
\$8,412,897	\$8,434,931	\$184.25	\$93,721	100.00%
\$2,891,590	\$2,887,858	\$63.08	\$32,087	34.24%

RECOMMENDED

\$4,660,000	\$4,660,000	\$4,660,000	Developer Fee Available
77,088	77,088	77,088	\$956,725
2,917,860	2,917,860	3,006,102	Contractor Fee Available
0	17,575	0	\$338,277
0	170,673	0	% of Dev. Fee Deferred
0	0	0	70%
620,456	620,456	669,708	
137,493	(28,721)	0	15-Yr Cumulative Cash Flow
\$8,412,897	\$8,434,931	\$8,412,897	\$1,568,756

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Seville Row Apartments, Beaumont, 4% HTC #07459

PAYMENT COMPUTATION

Primary	\$4,660,000	Amort	420
Int Rate	6.25%	DCR	1.16

Secondary	\$77,088	Amort	
Int Rate		Subtotal DCR	1.16

Additional	\$2,917,860	Amort	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	\$328,293
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$48,254

Primary	\$4,660,000	Amort	420
Int Rate	6.25%	DCR	1.15

Secondary	\$77,088	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$2,917,860	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

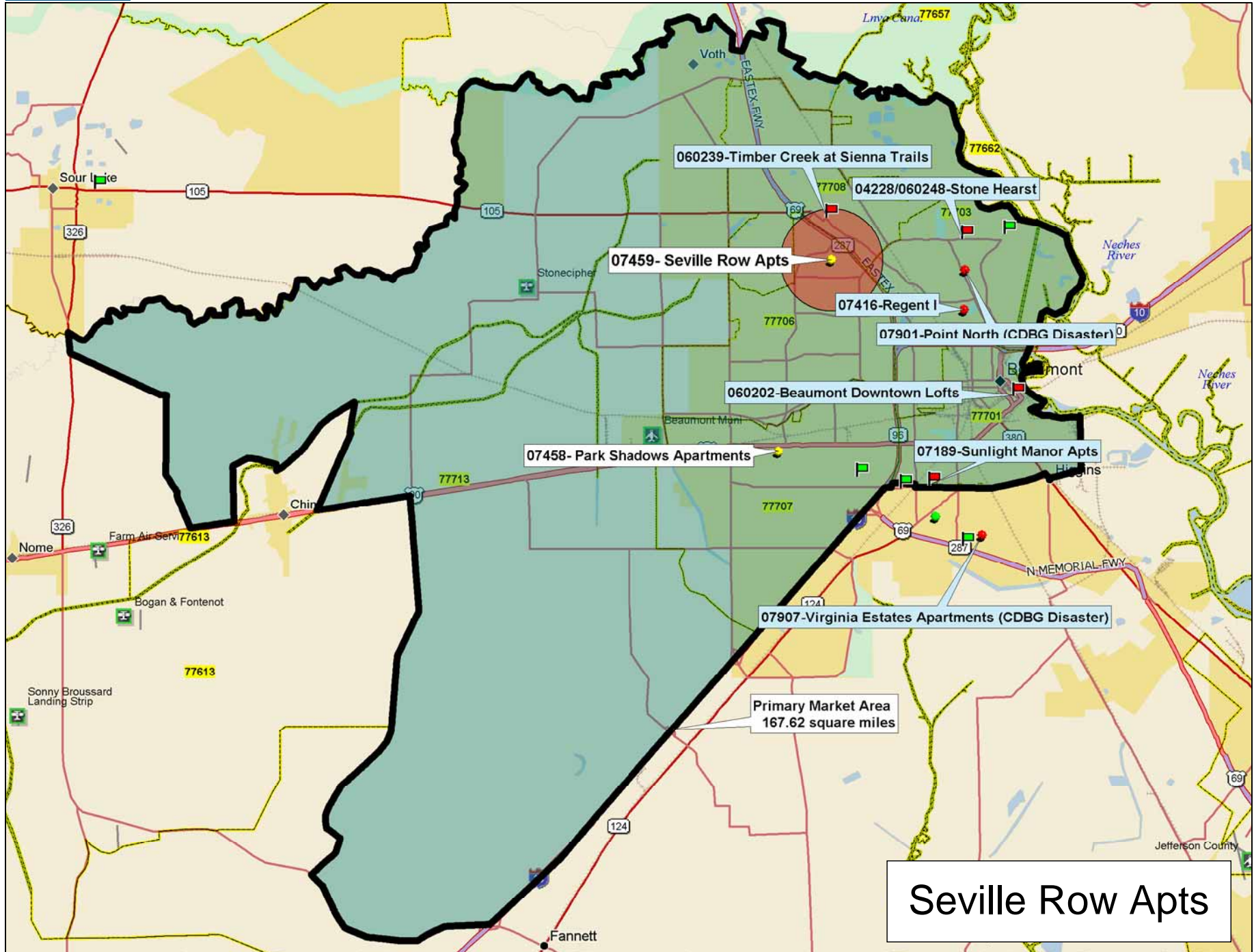
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$546,168	\$562,553	\$579,430	\$596,813	\$614,717	\$712,625	\$826,128	\$957,709	\$1,287,081
Secondary Income	8,100	8,343	8,593	8,851	9,117	10,569	12,252	14,203	19,088
GIC Interest Income	14,112	14,535	14,971	15,421	15,883	18,413	21,346	24,745	33,256
HAP Subsidy	196,548	202,444	208,518	214,773	221,217	256,451	297,296	344,648	463,178
POTENTIAL GROSS INCOME	764,928	787,876	811,512	835,857	860,933	998,058	1,157,022	1,341,306	1,802,603
Vacancy & Collection Loss	(37,140)	(39,394)	(40,576)	(41,793)	(43,047)	(49,903)	(57,851)	(67,065)	(90,130)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$727,788	\$748,482	\$770,937	\$794,065	\$817,887	\$948,155	\$1,099,171	\$1,274,241	\$1,712,473
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$21,150	\$21,996	\$22,876	\$23,791	\$24,743	\$30,103	\$36,625	\$44,560	\$65,959
Management	36,448	37,485	38,609	39,768	40,961	47,484	55,048	63,815	85,762
Payroll & Payroll Tax	102,500	106,600	110,864	115,299	119,911	145,889	177,497	215,952	319,662
Repairs & Maintenance	49,500	51,480	53,539	55,681	57,908	70,454	85,718	104,289	154,373
Utilities	22,583	23,486	24,426	25,403	26,419	32,142	39,106	47,579	70,428
Water, Sewer & Trash	15,055	15,657	16,284	16,935	17,612	21,428	26,071	31,719	46,952
Insurance	27,999	29,119	30,284	31,495	32,755	39,851	48,485	58,990	87,319
Property Tax	35,405	36,822	38,294	39,826	41,419	50,393	61,311	74,594	110,417
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	13,600	14,144	14,710	15,298	15,910	19,357	23,551	28,653	42,414
TOTAL EXPENSES	\$351,241	\$364,869	\$379,089	\$393,866	\$409,223	\$495,532	\$600,166	\$727,035	\$1,067,490
NET OPERATING INCOME	\$376,547	\$383,613	\$391,848	\$400,198	\$408,663	\$452,622	\$499,005	\$547,205	\$644,983
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$328,293	\$328,293	\$328,293	\$328,293	\$328,293	\$328,293	\$328,293	\$328,293	\$328,293
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	\$48,254	\$55,320	\$63,555	\$71,905	\$80,370	\$124,329	\$170,712	\$218,912	\$316,690
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.22	1.24	1.38	1.52	1.67	1.96

HTC ALLOCATION ANALYSIS -Seville Row Apartments, Beaumont, 4% HTC #07459

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	\$465,799	\$465,799				
Purchase of buildings	\$3,096,629	\$3,096,629	\$3,096,629	\$3,096,629		
Off-Site Improvements						
Sitework	\$100,000	\$100,000			\$100,000	\$100,000
Construction Hard Costs	\$2,316,268	\$2,320,000			\$2,316,268	\$2,320,000
Contractor Fees	\$338,277	\$338,277			\$338,277	\$338,277
Contingencies	\$133,313	\$133,313			\$133,313	\$133,313
Eligible Indirect Fees	\$195,500	\$195,500			\$195,500	\$195,500
Eligible Financing Fees	\$198,179	\$198,179			\$198,179	\$198,179
All Ineligible Costs	\$311,787	\$311,787				
Developer Fees			\$464,494		\$492,231	
Developer Fees	\$956,726	\$956,726		\$464,223		\$492,503
Development Reserves	\$322,453	\$296,687				
TOTAL DEVELOPMENT COSTS	\$8,434,931	\$8,412,897	\$3,561,123	\$3,560,852	\$3,773,768	\$3,777,772

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			\$3,561,123	\$3,560,852	\$3,773,768	\$3,777,772
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			\$3,561,123	\$3,560,852	\$4,905,898	\$4,911,103
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$3,561,123	\$3,560,852	\$4,905,898	\$4,911,103
Applicable Percentage			3.64%	3.64%	3.64%	3.64%
TOTAL AMOUNT OF TAX CREDITS			\$129,625	\$129,615	\$178,575	\$178,764

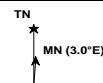
Syndication Proceeds	0.9748	\$1,263,593	\$1,263,496	\$1,740,759	\$1,742,606
Total Tax Credits (Eligible Basis Method)				\$308,200	\$308,379
Syndication Proceeds				\$3,004,351	\$3,006,102
Requested Tax Credits				\$312,104	
Syndication Proceeds				\$3,042,412	
Gap of Syndication Proceeds Needed				\$3,697,843	\$3,675,809
Total Tax Credits (Gap Method)				\$379,341	\$377,081



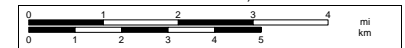
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Scale 1 : 162,500



1" = 2.56 mi

Data Zoom 10-3

Seville Row Apts

Applicant Evaluation

Project ID # **07459**

Name: **Beaumont Leased Housing II**

City: **Beaumont**

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: 0

Projects in Material Noncompliance

in noncompliance: 0

Yes No

Projects zero to nine: 0

Projects not reported Yes

grouped ten to nineteen: 0

monitored with a score less than thirty: 0

in application No

by score twenty to twenty-nine: 0

not yet monitored or pending review: 0

of projects not reported 0

Contract Monitoring

Single Audit

Monitoring review not applicable

Single audit review not applicable

Review found no unresolved issues

Single audit review found no unresolved issues

HOME RHD outstanding monitoring issues

Late certification (comments attached)

Audit finding or questioned/disallowed costs -
in corrective action period

Past due single audit or unresolved single
audit issue (comments attached)

Unresolved audit finding or questioned/
disallowed costs (comments attached)

Reviewer: Wendy Quackenbush Date 12/12/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable

Not applicable

Not applicable

Review pending

Review pending

Review pending

No unresolved issues

No unresolved issues

No unresolved issues

Unresolved issues found

Unresolved issues found

Unresolved issues found

Unresolved issues found that
warrant disqualification
(Comments attached)

Unresolved issues found that
warrant disqualification
(Comments attached)

Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer Shannon Roth

Reviewer Lora Lange

Reviewer D. Burrell

Date 12/12/2007

Date 12/12/2007

Date 12/12/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship

Not applicable

No delinquencies found

Review pending

Review pending

Delinquencies found

No unresolved issues

No unresolved issues

(Comments attached)

Unresolved issues found

Unresolved issues found

Unresolved issues found that
warrant disqualification
(Comments attached)

Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer AMO

Reviewer Robert Stevenson

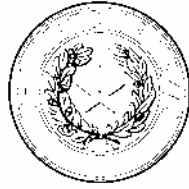
Reviewer Stephanie A. D'Couto

Date 12/12/2007

Date 12/12/2007

Date 12/12/2007

REPORT ITEMS



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber
From: Gordon Anderson
cc: Brooke Boston, Michael Lyttle
Date: December 6, 2007
Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for November 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, November 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
First Thursday Income Eligibility Workshop	Austin	November 1	Portfolio Management & Compliance	Training
Realtor Continuing Education Workshop	Austin	November 1	Homeownership	Training
Nonprofit Technical Assistance Visit	Socorro	November 5	HOME	Training
Supportive Housing conference call	Austin	November 5	Housing Resource Center	Participant
Community Resource Coordination Groups Conference	Austin	November 6	Policy & Public Affairs	Panel Presentation
Nonprofit Technical Assistance Visit	El Paso	November 6-7	HOME	Training
Market Analyst Presentation & Round Table	Austin	November 7	Real Estate Analysis	Presentation
2007 Texas Municipal League Conference	Dallas	November 7-9	Policy & Public Affairs	Exhibitor
Nonprofit Technical Assistance Visit	San Elizario	November 8-9	HOME	Training
Texas Mortgage Bankers Association Conference	Dallas	November 12	Homeownership	Exhibitor
Mental Health Transformation Workgroup Webinar	Austin	November 13	Housing Resource Center	Participant
Aging Texas Well Conference	Austin	November 14	Housing Resource Center	Participant
Realtor Continuing Education Workshop	Bastrop	November 15	Homeownership	Training
Texas EMS Conference	Houston	November 18	Homeownership	Exhibitor
2008 Housing Tax Credit Program Workshop	Austin	November 26-27	Multifamily, Real Estate Analysis	Training
Mental Health Transformation Workgroup facility tour	Austin	November 29	Housing Resource Center	Participant
2008 Housing Tax Credit Program Workshop	Houston	November 29-30	Multifamily, Real Estate Analysis	Training
HOME Implementation Workshop	Austin	November 29-30	HOME	Training

HOME DIVISION
EXECUTIVE DIRECTOR'S REPORT ITEM
December 20, 2007

Report Item

This report item is in response to a request from a Board Member at the November 8, 2007 meeting. Mr. Kent Conine requested a 12-month plan outlining the anticipated programming of the balance of uncommitted and deobligated HOME fund balances.

HOME Fund Balance Report as of 11/15/2007

The HOME Fund Balance Report (see next page) is the Department's internal tracking of available balances and has been revised recently to initiate separate accounting of uncommitted versus deobligated funds. For the purposes of this report, uncommitted funds are those that have not been awarded to a Contract Administrator and may include a balance of funds from an undersubscribed NOFAs. Deobligated funds are those that have been voluntarily or involuntarily returned from an individual project address or an awarded contract from a Contract Administrator. Since uncommitted and deobligated funds were not previously tracked separately, this report reflects deobligated balances that staff has been able to confirm as in fact deobligated. It can safely be assumed that the balances of uncommitted funds may include deobligated funds. Staff will continue to reconcile these balances with documented and verifiable information.

The beginning balances of this report are the total funds that are "Available to Commit" in IDIS separated into uncommitted and deobligated balances. The Fund Balance Report provides a bottom-line regarding the amount of funds available for programming after mandated Set-Asides, Board-approved awards (that do not have executed contracts or commitments to individual project addresses in IDIS yet), and published, open NOFA's have been reserved.

HOME FUND BALANCE REPORT

As of November 15, 2007

	CHDO		Non-CHDO		TOTAL
	Uncommitted	Deobligated	Uncommitted	Deobligated	
Available Balance in IDIS	(1) \$10,349,981.32	\$86,287.73	\$59,321,142.62	\$3,742,276.37	\$73,499,688.04
Disaster Set-Aside			(\$4,750,000.00)	(\$2,050,000.00)	(\$6,800,000.00)
ADDI			(\$1,346,274.00)	(\$1,051,576.00)	(\$2,397,850.00)
Contract for Deed Set-Aside--(pending additional reconciliation)			(\$4,000,000.00)	\$0.00	(\$4,000,000.00)
Persons with Disabilities Set-Aside--(pending additional reconciliation)			(\$231,822.00)	\$0.00	(\$231,822.00)
Colonia Model Subdivision Program	(\$2,000,000.00)	\$0.00			(\$2,000,000.00)
<u>LESS:</u>					
Awards approved by the Board but not committed in IDIS yet	(4,026,043.00)	\$0.00	(\$21,440,066.00)		(\$25,466,109.00)
2007 RHD NOFA \$15 Million (expires June 2, 2008)			(\$15,000,000.00)	\$0.00	(\$15,000,000.00)
2007 Open Cycle CHDO NOFA \$6 Million (expires June 2, 2008)	(\$4,900,000.00)	(\$1,100,000.00)			(\$6,000,000.00)
2007 CHDO Operating Funds	(\$305,602.00)				(\$305,602.00)
Total Available to Commit (Program):	(\$881,663.68)	(\$1,013,712.27)	\$12,552,980.62	\$640,700.37	\$11,298,305.04

Recommended Programming Plan

As reflected in the current Fund Balance Report a balance of \$11,298,305 is available to commit to Notices of Funding Availability (NOFA's). It should be noted, however, that staff is continuing to reconcile fund and set-aside balances to recapture deobligated funds to the Persons with Disabilities, American Dream Downpayment Initiative (ADDI) and Contract for Deed Conversion Set-Asides. All proposed programming of funds with available balances is approximate and subject to the priority of returning funds to those mandatory Set-Asides.

While only approximately \$2 million is required to be reserved for disasters, the Disaster Set-Aside includes \$4.3 million of uncommitted 2007 Single Family funds, as approved by the Board in August 2007. With the same action item, the Board also approved \$2.5 million in deobligated funds to be reserved for disasters. As reflected on the Fund Balance Report, the total reservation including both uncommitted and deobligated funds is \$6.8 million. As an additional note, staff has experienced an increased interest in these funds since the timeframe reserved for a federal declaration is expiring in many of the communities that were affected by a disaster earlier this year.

Staff presented at today's Board meeting the following NOFA's that total \$6 million in proposed funding of the balance available to commit:

- Homebuyer NOFA for \$6,000,000. Only \$3 million of this NOFA is being committed from the balance available to commit since the \$3 million in ADDI funds are already reserved from the balance with the Set-Aside amount in the upper portion of the Fund Balance Report.
- Tenant-Based Rental Assistance NOFA for \$3,000,000

Staff is recommending these NOFA's due to the under subscription experienced from the biennial funding cycle in 2006 and the level of interest experienced by staff from potential applicants. Additionally, several of the potential applicants have reached or are reaching the end of their contract term from a previous award.

Staff proposes the following NOFA's to be presented at future Board meetings to commit the remaining balance of \$5,298,305:

- Contract for Deed Conversion for the balance of uncommitted and deobligated funds under same Set-Aside. Anticipated to be presented to the Board by February 2008. Staff is recommending this NOFA since a NOFA for this Set-Aside has not been released since 2005 and interest has been expressed by potential applicants that have reached or are reaching the end of their contract term from a previous award.
- Pilot Homebuyer Assistance Program for \$2,500,000 to provide assistance for downpayment and closing costs based upon the household's Area Median Family Income (AMFI) and allowing assistance greater than \$10,000 for lower AMFI levels. Anticipated to be presented to the Board by March 2008. A program to address this need was expressed by the HOME Advisory Task Force and Board members during the June 2007 meeting. Staff proposes that this program may be able to target lower income households with HBA than are typically served.

- Single Family Development for \$2,500,000. Anticipated to be presented to the Board by July 2008. A moderate level of interest in using HOME funds for Single Family Development was also expressed by the HOME Advisory Task Force and Board members during the June 2007 meeting. Staff has also experienced an interest expressed by several Texas communities for this activity.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD REPORT ITEM

December 20, 2007

Executive Report Item

At the October 11, 2007 Board meeting, the Board postponed a Housing Tax Credit amendment for the Chaparral Townhomes and asked staff to bring the amendment back to the Board in December.

The amendment was a request from the syndicator to replace the original general partner, which was a Historically Underutilized Business (HUB), with a non-HUB general partner. The original application received points in the competitive tax credit program for having HUB participation in the general partner. The Board postponed the decision until December to allow the syndicator to have additional time to locate another HUB or a non-profit to replace the original general partner.

The syndicator is currently negotiating with a HUB/non-profit and should be finalized by the Board's January meeting.