BOARD MEETING OF June 26, 2008

C. Kent Conine, Chair

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tomas Cardenas, Member
Sonny Flores, Member
Juan Muñoz, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

June 26, 2008
9:30 am
Capitol Auditorium
1500 N. Congress

A G E N D A

CALL TO ORDER, ROLL CALL — Kent Conine, Chairman
CERTIFICATION OF QUORUM

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.

Lender of the Year Awards

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

General Administration: — Kevin Hamby, Secretary to Governing Board

a) Minutes of the May 8, 2008 Board Meeting

Legal Division: — Kevin Hamby, General Counsel

b) Presentation, Discussion and Possible Action on publication in the Texas Register of a notice proposing the repeal of the following sections of Title 10, Texas Administrative Code, Chapter 1, concerning Administration:
§1.1 Private Donors
§1.12 Administrative Hearings
§1.5 Contract Monitoring Policy

c) Presentation, Discussion and Possible Action on publication in the Texas Register of a notice proposing the repeal of Title 10, Texas Administrative Code, Chapter 5, Subchapter B (§§5.101 – 5.114 and 5.116 – 5.121), concerning Emergency Nutrition and Temporary Relief Program

Multifamily: — Robbye Meyer, Dir. Multifamily Finance

d) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions

060225	Knightsbridge	Aldine
060217	Mariposa Apartments at Reed Road	Houston
060076	Countryside Village	Humble

e) Presentation, Discussion and Possible Approval of Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions

f) Presentation, Discussion and Possible Approval of Trustees for Multifamily Mortgage Revenue Bond Transactions

Internal Audit: — Sandy Donoho, Dir. Internal Audit

g) Approval of Minutes of the September 13, 2007 Audit Committee Meeting

h) Presentation and Discussion of Internal Audit Report on the Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grants Programs

i) Presentation and Discussion of the Department of Energy's Monitoring Report on the Weatherization Assistance Program

j) Status of the TDHCA Fraud Hotline

k) Status of Prior Audit Issues

l) Status of the Internal Audit Division's Fiscal Year 2008 Work Plan

m) Status of External Audits

Office of Colonia Initiatives: — Homero Cabello, Dir. Office of Colonia Initiatives

n) Presentation, Discussion and Possible Approval of a Colonia Self-Help Center (SHC) Program award to Hidalgo County though Community Development Block Grant (CDBG) funding

Real Estate Analysis: — Tom Gouris, Dir. Real Estate Analysis

o) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions of Cost Certification Submission

Community Affairs: — Amy Oehler, Dir. Community Affairs

p) Presentation, Discussion and Possible Approval of the Section 8 Streamlined 2009 Annual Public Housing Agency (PHA) Plan

q) Presentation, Discussion and Approval of proposed amendment to the Community Services Block Grant, 10 Texas Administrative Code, Chapter 5, Subchapter A, §5.6 Distribution of CSBG Funds, Subsections (c) and (d) for publication in the Texas Register

Texas Homeownership: — Eric Pike, Dir. Texas Homeownership

r) Presentation, Discussion and Possible Approval of the Participating Lender List for Single Family Mortgage Credit Certificate (MCC) Program 72

ACTION ITEMS

Item 2: Possible Appointment by Chairman of Board Committee — Kent Conine, Chairman

Item 3: Legal Division Items: — Kevin Hamby, General Counsel

a) Presentation, Discussion and Possible Approval of a policy, including penalties, regarding support from TDHCA of the Internal Revenue Service reinstatement of tax credits after the placed in service date and issuance of Form 8609 for the Gardens of Gladewater where the development has received Form 8823 as not participating in the program due to errors in the first year

Item 4: Texas Homeownership Division Items: — Eric Pike, Dir. Texas Homeownership

a) Presentation, Discussion and Possible Approval of a contract extension for Countrywide Bank to serve as Master Servicer for the Single Family Mortgage Revenue Bond Program

Item 5: Housing Resource Center Items: — Brenda Hull, Mgr. Housing Resource Center

a) Presentation, Discussion and Possible Approval of the Agency Strategic Plan for Fiscal Years 2009-2013

Item 6: HOME Division Items:

Jeannie Arellano
Dir. HOME Division

a) Presentation, Discussion and Possible Approval of HOME Investment Partnerships Tenant-Based Rental Assistance Award Recommendations:

2008-0042	Christian Community Action	Denton
2008-0053	Burke Center	Lufkin

b) Presentation, Discussion and Possible Approval of HOME Investment Partnerships Homebuyer Assistance Award Recommendations:

2008-0035	Midland Habitat for Humanity	Midland
2008-0045	City of La Feria	La Feria

c) Presentation, Discussion and Possible Approval of HOME Investment Partnerships Program Rental Housing Development Program Award Recommendation:

07346	Creek View Apartments	Johnson City

d) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA)

e) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Community Housing Development Organization (CHDO) Rental Housing Development Program Notice of Funding Availability (NOFA)

f) Presentation, Discussion and Possible Approval of the transfer of remaining balances from the HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's) to the 2008 HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's)

g) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Rental Housing Development Program for Persons with Disabilities (PWD) Notice of Funding Availability (NOFA)

h) Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Program Contracts/Commitments:

1000308	Frio County	Pearsall
1000298	Town of Anthony	Anthony
1000487	City of Bonham	Bonham

i) Presentation, Discussion and Possible Approval of 2008 Housing Trust Fund 2008 Homeownership SuperNOFA Program award recommendations and $1 million increase in the amount of funding available under the NOFA:

2008-0036	Community Council of Southwest Texas	Uvalde
2008-0037	Community Housing Services, Inc.	San Benito
2008-0038	Community Housing Services, Inc.	San Benito
2008-0039	City of New Braunfels	New Braunfels

Item 7: Bond Division Items:

Matt Pogor
Dir. Bond Finance

a) Presentation, Discussion and Possible Approval of recommended firm to provide Drawdown Bond Underwriting services for TDHCA's single family mortgage revenue bonds recycling program

b) Presentation, Discussion and Possible Approval of Resolution No. 08-024 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2006 Series FGH (Program 68)

c) Presentation, Discussion and Possible Approval of Resolution No. 08-021 authorizing ratification of TDHCA's notice to remove UBS as Remarketing Agent and approve a new Remarketing Agreement for TDHCA's Single Family Mortgage Revenue Variable Rate Demand Bonds 2004 Series A Jr. Lien, 2004 Series B, 2005 Series A, 2006 Series H and 2007 Series A with JPMorgan

d) Presentation, Discussion and Possible Approval of Resolution No. 08-025 authorizing application to the Texas Bond Review Board for reservation of 2008 single family private activity bond authority and presentation, discussion and approval of Single Family Mortgage Revenue Bonds Underwriting Team for Program 71

Item 8: Disaster Recovery Division Items: — Kelly Crawford, Dep. ED Disaster Recovery

a) Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

b) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round 1 Funding

C060001	Houston-Galveston Area Council
C060002	Deep East Texas Council of Governments
C060003	South East Texas Regional Planning Commission

Item 9: Multifamily Division Items - Housing Tax Credit Program Items: — Robbye Meyer, Dir. Multifamily Finance

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

07302	Casa Alton	Alton

b) Presentation, Discussion and Possible Action on Housing Tax Credit Amendment and Possible Approval of an additional award of HOME funds

07177	Hamilton Senior Village	Hamilton

c) Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals:

08145	Oasis at the Park	Corpus Christi
08240	Timber Village Apartments II	Marshall
08182	Suncrest Apartments	El Paso
08181	Park Ridge Apartments	Llano
08193	Sphinx at Fiji Senior	Dallas
08228	Chelsea Senior Community	Houston
08229	Fairwood Commons Senior Apts.	Bastrop
08261	Towne Center Apartments Homes	Bryan
08262	Lake View Apartments	Cleveland
08278	Four Seasons at Clear Creek	Fort Worth
08147	Northside Apartments	Weslaco

Appeals Timely Filed

d) Presentation, Discussion and Possible Action on a Waiver of Threshold Requirements for Ysleta del Sur Pueblo Homes I Competitive Housing Tax Credit Application

e) Presentation, Discussion and Possible Issuance of a list of Approved Applications (as of June 19) for Housing Tax Credits ("HTC") in accordance with §2306.6724(e) of Texas Government Code

TDHCA ID	Development Name	Development City	Region
08100	Grand Reserve Seniors - Waxahachie Community	Waxahachie	3
08101	Jackson Village Retirement Center	Lake Jackson	6
08106	Brookhollow Manor	Brookshire	6
08107	Oak Timbers - River Oaks	River Oaks	3
08110	Paris Big Sandy Apartments	Paris	4
08112	Cedar Street Apartments	Brownfield	1
08120	Applewood Apartments, LP	West	8
08121	Cherrywood Apartments	West	8
08124	Mill Stone Apartments	Fort Worth	3
08126	South Acres Ranch	Houston	6
08128	Mid-Towne Apartments	Tomball	6
08129	Alta Vista Apartments	Marble Falls	7
08130	Jourdanton Square Apartments	Jourdanton	9
08133	Timber Creek Senior Living	Beaumont	5
08134	Huntington	Buda	7
08135	Gardens at Clearwater	Kerrville	9
08138	River Place Apartments	San Angelo	12
08139	Arizona Avenue Apartments	Sweetwater	2
08140	Premier on Woodfair	Houston	6
08142	Anson Park Seniors	Abilene	2
08143	Villages at Snyder	Snyder	2
08145	Oasis at the Park	Corpus Christi	10
08147	Northside Apartments	Weslaco	11
08149	American GI Forum Village I & II	Robstown	10
08150	Oak Manor/Oak Village Apartments	San Antonio	9
08151	Parkview Terrace	Pharr	11
08152	Heights at Corral	Kingsville	10
08154	Mineral Wells Pioneer Crossing	Mineral Wells	3
08157	SilverLeaf at Chandler	Chandler	4
08158	Villas at Beaumont	McAllen	11
08160	Tres Palmas	El Paso	13
08161	Canutillo Palms	El Paso	13
08163	San Elizario Palms	San Elizario	13
08174	Oakleaf Estates	Silsbee	5
08176	Maeghan Pointe	Elsa	11
08179	Homes at Cypress Ridge	Nacogdoches	5
08181	Park Ridge Apartments	Llano	7
08182	Suncrest Apartments	El Paso	13
08183	Desert Villas	El Paso	13
08184	Washington Hotel Lofts	Greenville	3
08185	Historic Lofts of Palestine	Palestine	4
08190	Sutton Homes	San Antonio	9
08193	Sphinx at Fiji Senior	Dallas	3
08194	D.N Leathers Townhomes	Corpus Christi	10
08195	Chateau Village Apartments	Houston	6
08198	Highland Manor	La Marque	6
08200	Ingram Square Apartments	San Antonio	9
08201	First Huntington Arms	Huntington	5
08203	Evergreen at Forney	Forney	3
08205	Wind River	Fort Worth	3
08207	Carpenter's Point	Dallas	3
08208	Mansions at Briar Creek	Bryan	8
08213	Stamford Place Apartments	Stamford	2

08215	Quail Run Apartments	Decatur	3
08216	Chisum Trail Apartments	Sanger	3
08217	Merritt Homes	McKinney	3
08220	Northview Apartments	Kilgore	4
08222	Evergreen at Vista Ridge	Lewisville	3
08223	Evergreen at The Colony	The Colony	3
08226	Whispering Oaks Apartments	Goldthwaite	8
08228	Chelsea Senior Community	Houston	6
08229	Fairwood Commons Senior Apartments	Bastrop	7
08232	Sakowitz Apartments	Houston	6
08233	Heritage Park Vista	Fort Worth	3
08234	Central Park Senior Village	Arlington	3
08235	Buena Vida Senior Village	Corpus Christi	10
08236	Green Briar Village Phase II	Wichita Falls	2
08240	Timber Village Apartments II	Marshall	4
08244	TownePlace Reserve	Pearland	6
08251	HomeTowne on Wayside	Houston	6
08252	LifeNet-Supportive Housing SRO Community, L.P.	Dallas	3
08253	Creekside Villas Senior Village	Buda	7
08254	Montgomery Meadows Phase II	Huntsville	6
08255	West Park Senior Housing	Corsicana	3
08256	Westway Place	Corsicana	3
08257	Constitution Court	Copperas Cove	8
08258	Lexington Court Phase II	Kilgore	4
08260	Harris Manor Apartments	Pasadena	6
08261	Towne Center Apartments Homes	Bryan	8
08262	Lake View Apartment Homes	Tyler	4
08263	Villas at Lost Pines	Bastrop	7
08264	Cambridge Crossing	Corsicana	3
08266	Hillcrest at Galloway	Beeville	10
08269	Darson Marie Terrace	San Antonio	9
08271	Manor Road SRO	Austin	7
08273	Four Seasons at Clear Creek	Fort Worth	3
08274	Casa Bella	Sunnyvale	3
08278	Vista Bella Ranch	Sherman	3
08280	Costa Esmeralda	Waco	8
08284	North Eastman Residential	Longview	4
08294	Stardust Village	Uvalde	11
08295	Vista Bonita Apartments	Houston	6
08296	Prairie Village Apartments	Rogers	8
08297	St. Charles Place	Crowley	3
08298	Residences on Stalcup	Fort Worth	3
08299	Southern View Apartments	Fort Stockton	12
08300	Blackshear Homes	San Angelo	12
08301	Ysleta del Sur Pueblo Homes I	Socorro	13
08302	Leona Apartments	Uvalde	11
08303	Heritage Square	Texas City	6
08304	Park Place Apartments	Cleveland	6

f) Presentation and Discussion of Challenges to Housing Tax Credit Applications

Item 10: Multifamily Division Items–Private Activity Bond Program Items: Robbye Meyer, Dir. Multifamily Finance

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

08414 Jason Avenue Residential
Panhandle Regional Housing Finance Corporation is the Issuer
Recommended Credit Amount of $1,183,606

b) Presentation, Discussion and Possible Issuance of the Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds Series 2008 for the Addison Park Apartments Resolution No. 08-023

08613	Addison Park, Arlington, Tarrant County Bond Amount Not to Exceed $14,000,000

c) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds Series 2008 and a Determination Notice of Housing Tax Credits with TDHCA as the Issuer for Costa Ibiza Apartments:

08602	Costa Ibiza, Houston, Harris County Texas for a bond Amount Not to Exceed $879,252 and the Issuance of a Determination Notice Recommended Credit Amount of $15,000,000. Resolution No. 08-022

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, Resolution No. 08-026

08612	Providence Grand Parkway	Katy

Item 11: Financial Administration:

David Cervantes
Dir. Financial Administration

a) Presentation, Discussion and Possible Approval of the Legislative Appropriations Request

b) Presentation, Discussion and Possible Approval of the FY 2009 Draft Operating Budget

c) Presentation, Discussion and Possible Approval of the FY 2009 Draft Housing Finance Budget

EXECUTIVE SESSION

Kent Conine, Chairman

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 Respect to pending litigation styled *Rick Sims v. Texas Department of Housing and Community Affairs* filed in federal district court (new filing of previously dismissed suit)

3. With Respect to pending litigation styled *The Inclusive Communities Project*, *Inc. v. Texas Department of Housing and Community Affairs, et al* filed in federal district court

4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION Kent Conine, Chairman

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

1. TDHCA Outreach Activities, February/March 2008
2. Single Family Mortgage Revenue Bond Program Delinquency Report
3. HTC Ownership Transfers Quarterly Report
4. HTC Amendment Quarterly Report

ADJOURN

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.

TEXAS HOMEOWNERSHIP DIVISION

LENDER OF THE YEAR AWARDS
June 26, 2008

As part of June's celebration of Homeownership Month, the staff and TDHCA Governing Board would like to recognize the lending community for their contributions to affordable housing and their efforts to increase the homeownership rate in Texas. Through the issuance of low interest rate mortgage revenue bond loans, the Texas First Time Homebuyer Program, in conjunction with its network of participating lenders, originated over $313 million in mortgage loans in fiscal year 2007 and enabled approximately 2,700 individuals and families to experience the benefits of homeownership. As a result of increased program awareness in the lender community, the program experienced its most successful year to date and provided homeownership opportunities to individuals and families across the state.

In recognition of their efforts, the TDCHA Governing Board is recognizing the top two lending institutions and top producing loan officer under the Texas First Time Homebuyer Program. The lenders were selected from the current group of over 60 participating lending institutions. The selection criteria included: dollar volume and number of loan originations, borrower income level served, percentage of minority homebuyer loans originated and overall program performance.

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

Cornerstone Mortgage Company – "Lender of the Year"
In 2007, Cornerstone Mortgage Company originated 162 loans totaling over $20 million. 53% of their loans were made to borrowers with incomes at or below 80% of the area median family income and over 50% of the loans originated were made to minority homebuyers. They have participated for a number of years in the Texas First Time Homebuyer and Mortgage Credit Certificate Programs and have had a tremendous impact on many Texas first time homebuyer families.

CTX Mortgage Company – "Lender of the Year"
CTX Mortgage is one of the nations' largest non-bank-affiliated direct mortgage originators. As part of the Centex Homes team, they originated 152 loans totaling over $21 million in 2007. 53% of their loans were also made to borrowers with incomes at or below 80% of the area median family income and over 65% of the loans originated were made to minority homebuyers. CTX has also been a participant in the Department's first time homebuyer programs for many years.

Erna Hay, Cornerstone Mortgage Company, Houston - "Loan Officer of the Year"

In 2007, Ms. Hay originated and closed 54 loans under the Texas First Time Homebuyer Program. She has worked in the mortgage industry for 15 years and has participated in the Texas First Time Homebuyer Program for approximately 11 years. She has considerable experience working with first time homebuyers, is an asset to the mortgage banking industry and is truly committed to providing affordable housing to all Texans.

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Minutes of the Board Meeting of May 8, 2008.

Required Action

Review minutes of the May 8, 2008 Board meeting and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

May 8, 2008
9:30 am
Capitol Extension, E1.028
1500 N. Congress

A G E N D A

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Kent Conine, Chairman

Meeting was called to order at 9:34 a.m. and all members were present at the start of the meeting and a quorum was established.

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 following members of the public addressed the Board:

The Honorable Tom Scott, Mayor of Bastrop, Texas—in support of Fairwood Crossing tax credit application
Barry Khan, developer in Houston, Texas—regarding the underwriting of tax credits and the difficulty with the utility allowance and its impact on rents.
Granger McDonald, developer in Kerrville—generally agreed with Mr. Kahn and requests a resolution to Governor Perry as Chair of the Republican Governor's conference in support of the federal housing stimulus bill. Also addressed concerns regarding issuance of Form 8823. Mr. Gerber agreed to meet with industry to discuss Form 8823 issues.
Jim Brown, Executive Director of TAAHP Austin, Texas—discussion of equity sources in current financial markets.
Jeff Crozier, Executive Director of RRHA—request to consider ways to use the Housing Trust Fund and Tax Credits together to finance rural deals.
Kelly Nelson, Director of Clear Creek of Fort Worth Property Owner's Association—spoke regarding Four Seasons at Clear Creek tax credit application
Phil Woods, Chair Bastrop Housing Authority—in support of Fairwood Commons Senior Housing tax credit application
The Honorable Carlos Garcia, County Judge Frio County—requesting an extension for a HOME contract
The Honorable Kathy Masonheimer, Member Palestine City Council and Executive Director Palestine Chamber of Commerce—in support of the Historic Palestine Loft tax credit application
Neely Plumb Manager, Main Street District for Palestine—in support of the Historic Palestine Loft tax credit application
Ginger McGuire, Lancaster Pollard Mortgage Company—discussed the USDA 538 loan program and lien position
Frank Fernandez, Executive Director for Community Partnership for the Homeless—in support of Manor Road SRO tax credit application
Caitlin Uzzell, Community Partnership with the Homeless—read a letter from Betty Dunkerly in support of Manor Road SRO tax credit application
Mary Ann Mattern, resident of Community Partnership for the homeless property---in support of Manor Road SRO tax credit application
William Marshall, resident of Community Partnership for the homeless property---in support of Manor Road SRO tax credit application
Steve Moore, developer in Houston, Texas—in support of tax credit application 08140

The Board of the Texas Department of Housing and Community Affairs considered and acted 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: — **Kevin Hamby, Secretary to Governing Board**

a) Minutes of the March 13, 2008 Board Meeting

Legal: — **Kevin Hamby, General Counsel**

b) Presentation, Discussion and Possible Approval to publish in the Texas Register a notice of intent to conduct a rule review pursuant to Government Code §2001.039 of certain rules in 10 TAC Chapter 1, concerning administration:
§1.3 Delinquent Audits and Related Issues
§1.4 Protest Procedures for Contractors
§1.6 Historically Underutilized Businesses
§1.7 Staff Appeals Process
§1.8 Board Appeals Process
§1.16 Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers
§1.17 Alternative Dispute Resolution and Negotiated Rulemaking

c) Presentation, Discussion and Possible Approval of a Request for Proposals for Disclosure Counsel

Texas Homeownership Division Items: — **Eric Pike, Dir. Texas Homeownership**

d) Presentation, Discussion and Possible Approval to use deobligated Housing Trust Fund (HTF) funds for homebuyer counseling services in support of the Texas Foreclosure Prevention Task Force

Multifamily: — **Robbye Meyer, Dir. Multifamily Finance**

e) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions for Completion of Substantial Construction

Real Estate Analysis: — **Tom Gouris, Acting Deputy ED for Programs**

f) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions of Cost Certification Submission

Community Affairs: — **Amy Oehler, Dir. Community Affairs**

g) Presentation, Discussion and Possible Approval of the Draft Program Year (PY) 2009 Low Income Home Energy Assistance Program (LIHEAP) State Plan for posting to the TDHCA website and Public Comment

h) Presentation, Discussion and Possible Approval of the Request for Application Packet for the Weatherization Assistance Program in Maverick and Hidalgo Counties

Motion made to approve staff recommendation by Sonny Flores and seconded by Gloria Ray, passed unanimously

ACTION ITEMS

Item 2: Community Affairs Division Items: — **Amy Oehler, Dir. Community Affairs**

a) Presentation, Discussion and Possible Approval of the 2008 Emergency Shelter Grants Program (ESGP) Funding Recommendations

Motion made to approve staff recommendation with the exception of Denton County being

subject to the submission of a letter to staff to meet the requirement of HB 1196 regarding Hurricane Rita issues, by Gloria Ray and seconded by Tom Cardenas; passed unanimously. Dr. Muñoz was not present for this vote.

Item 3: Possible Approval to Publish Final Department Rules in the *Texas Register* — **Brenda Hull, Housing Resources Manager**

a) Presentation, Discussion and Possible Approval for publication in the Texas Register of a final order adopting new 10 TAC §8.1, Project Access Program Rules

Motion made to approve staff recommendation by Gloria Ray and seconded by Leslie Bingham Escareño; passed unanimously. Dr. Muñoz was not present for this vote.

Item 4: Housing Resource Center Items: — **Tom Gouris, Acting Deputy ED for Programs**

a) Presentation, Discussion and Possible Approval of a Request For Proposals for a Market Analysis of Deaf Smith, Parmer, and Castro Counties

Motion made to approve staff recommendation by Gloria Ray and seconded by Leslie Bingham Escareño; passed unanimously. Dr. Muñoz did not participate in this vote.

b) Presentation and Discussion of Development of 2010-2011 Legislative Appropriations Request and 2009-2013 Strategic Plan — **Bill Dally, Deputy ED for Administration**

No Action Taken.

Item 5: HOME Division Items: — **Jeannie Arellano, Dir. HOME Division**

a) Presentation, Discussion and Possible Action for HOME Division Appeals

Appeals Timely Filed

07346 Creek View Apartments Johnson City

Public Testimony from Jeff Spicer and Mark Mayfield in support of the development. Motion made to waive 10% leveraging requirement and grant the appeal made by Gloria Ray and seconded by Juan Muñoz. Amendment to the motion made to require a deferred developer fee and road paving to help support the development. Amendment motion made by Chairman Conine and seconded by Gloria Ray; passed 5-1 with Sonny Flores voting no. Vote on Amended motion passed 5-1 with Mr. Flores voting no.

b) Presentation of current HOME Fund Balance Report

No Action taken

c) Presentation, Discussion and Possible Approval of HOME Program Disaster Relief Award Recommendations:

2008-0009	City of Cleveland
2008-0010	City of Ames
2008-0011	Liberty County
2008-0029	Baylor County

Motion made to approve staff recommendation by Sonny Flores and seconded by Gloria Ray; passed unanimously

d) Presentation, Discussion and Possible Approval of HOME Tenant-Based Rental Assistance Award Recommendations:

2008-0007	Ellis Community Resources, Inc.
2008-0016	Spindletop MHMR
2008-0024	Affordable Caring Housing, Inc.
2008-0025	Special Health Resource for Texas, Inc.

2008-0027	Affordable Caring Housing, Inc.
2008-0028	Affordable Caring Housing, Inc.

Motion made to approve staff recommendation by Gloria Ray and seconded by Tom Cardenas; passed unanimously

e) Presentation, Discussion and Possible Approval of HOME Homebuyer Assistance Award Recommendations:

2008-0002	Community Development Corporation of Brownsville
2008-0003	Cameron County Housing Finance Corporation
2008-0004	City of Paris
2008-0005	Southeast Texas Housing Finance Corporation
2008-0006	El Paso Collaborative for Community and Economic Development
2008-0008	Southeast Texas Housing Finance Corporation
2008-0012	San Benito Housing Authority
2008-0013	City of Hughes Springs
2008-0014	City of Nash
2008-0015	Travis County Housing Finance Corporation
2008-0017	City of Midland
2008-0018	City of Bay City
2008-0019	Temple Housing Authority
2008-0023	City of McKinney
2008-0030	City of Terrell

- **Motion made to approve staff recommendation by Gloria Ray and seconded by Leslie Bingham Escareño; passed unanimously.**

f) Presentation, Discussion and Possible Approval of HOME Investment Partnerships Program Rental Housing Development Program Award Recommendations:

08325	Brackettville Seniors Apartments	Brackettville
08324	Fredericksburg Senior Apartments	Fredericksburg
08326	Buena Vida Apartments	La Feria

Motion made to approve staff recommendation by Gloria Ray and seconded by Sonny Flores; passed unanimously.

g) Presentation, Discussion and Possible Approval of HOME Investment Partnerships Program Community Housing Development Organization (CHDO) Single Family and Rental Housing Development Program Award Recommendations:

07347	Floresville Senior Village	Floresville

Motion made to approve staff recommendation by Sonny Flores and seconded by Tom Cardenas; passed unanimously.

h) Presentation, Discussion and Possible Approval of the amended HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's)

Motion made to table by Sonny Flores and seconded by Leslie Bingham Escareño; passed unanimously. Motion to bring item back of the table made by Tom Cardenas and seconded by Gloria Ray; passed unanimously. Motion made to add twelve million dollars of funding to the RHD NOFA and six million dollars to the CHDO NOFA and not take other staff recommendations at this time by Gloria Ray and seconded by Leslie Bingham Escareño; passed unanimously.

i) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Contract for Deed Notice of Funding Availability (NOFA)

Motion made to approve staff recommendation by Gloria Ray and seconded by

Tom Cardenas; passed unanimously.

j) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA)

Removed from Consideration.

k) Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Community Housing Development Organization (CHDO) Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA)

Removed from Consideration.

l) Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Program Contracts/Commitments:

06102 BETCO-Jasper

Diana McIver and Thomas Steinhoff provided public comment in opposition to staff recommendation. Motion made to approve the applicant's loan modification request due to a unique condition of a rural area negatively impacted by a hurricane, subject to staff recommendations and designating the four units as HOME units, any other conditions in the underwriting report, the loan closing by August 1, 2008, and no other extensions by Leslie Bingham Escareño and seconded by Gloria Ray; passed unanimously.

2006-215 CDC Brownsville

Don Currie provided public testimony. Motion made by Sonny Flores to table the item and seconded by Gloria Ray; passed unanimously. Motion made to remove from the table and approve staff's revised recommendation by Leslie Bingham Escareño and seconded by Tom Cardenas; passed unanimously

m) Presentation, Discussion and Possible Approval of the amended the 2008 Housing Trust Fund Rental Production Program Notice of Funding Availability (NOFA)

Motion made to approve staff recommendation by Gloria Ray and seconded by Sonny Flores; passed unanimously.

n) Presentation, Discussion and Possible Approval of Housing Trust Fund 2008 Homeownership SuperNOFA Award Recommendation:

2008-0026 Dallas Area Habitat for Humanity

Motion made to approve staff recommendation by Sonny Flores and seconded by Juan Muñoz; passed unanimously.

Item 6: Bond Division Items: **Matt Pogor, Dir. Bond Finance**

a) Presentation, Discussion and Approval of a Request for Proposal ("RFP") for Underwriter Services from investment banking firms interested in developing a drawdown bond for TDHCA's single family mortgage revenue bond recycling program

Motion made to approve staff recommendation by Sonny Flores and seconded by Tom Cardenas; passed unanimously.

Item 7: Disaster Recovery Division Items: **Kelly Crawford, Dep. ED Disaster Recovery**

a) Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG Round 1 and Round 2 funding and FEMA AHPP Contracts Administered by TDHCA

No action taken.

b) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round 1 Funding

C060003 Houston-Galveston Area Council of Governments

Removed from Consideration.

Item 8: Multifamily Division Items - Housing Tax Credit Program Items: **Robbye Meyer, Dir. Multifamily Finance**

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

07295 The Bluestone Mabank

Motion made to approve staff recommendation by Gloria Ray and seconded by Sonny Flores; passed unanimously.

05207 CityView at the Park Austin

Sally Gaskin provided public comment. Motion made to approve staff recommendation by Sonny Flores and seconded by Leslie Bingham Escareño; passed unanimously.

b) Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals:

08301 Ysleta del Sur Pueblo Homes I Socorro
08147 Northside Apartments Weslaco

Appeals for 08301 and 08147 were postponed until the meeting of June 26, 2008 pending discussions with the IRS on a motion made by Sonny Flores and seconded by Tom Cardenas; passed unanimously.

08206 Lincoln Terrace Fort Worth

Jeff Fulchenek provided testimony. Motion made to allow the extension for submission of a property condition assessment and seconded by Sonny Flores. Motion fails on a vote of 1 in favor and 5 opposed.

08248 Champion Homes of La Joya La Joya

Paige Ginn and Bill Fisher spoke in opposition to the staff recommendation. Motion made to accept staff recommendation to deny the appeal by Gloria Ray seconded by Tom Cardenas; motion passed 3-2 with Leslie Bingham Escareño and Juan Muñoz voting no.

08229 Fairwood Commons Senior Bastrop

No appeal required; removed from consideration.

08182 Suncrest Apartments El Paso

Jeff Spicer and Kevin Ruf provided public testimony in opposition to staff recommendation. Motion made to accept staff recommendation to deny the appeal by Gloria Ray seconded by Sonny Flores; passed unanimously.

08179 Homes at Cypress Ridge Nacogdoches

Anita Kegley, Barbara Tarin and Arlene Jenks provided public comment opposing staff recommendation. Motion made to grant the appeal and extend the filing deadline for the resolution not later than May 27th by Sonny Flores and seconded by Gloria Ray; passed unanimously.

08084 Washington Hotel Lofts Greenville

Removed from Consideration.

08225 Oakwood Apartments Brownwood

Removed from Consideration.

08249 Terrell Seniors Terraces III Terrell

Barry Halla made public comment in opposition to the staff recommendation. Motion made to grant the appeal and extend the filing deadline for the resolution not later than May 27th by Sonny Flores and seconded by Gloria Ray; passed 3-1 with Tom Cardenas voting no.

Appeals Timely Filed

08223 Evergreen Terrace (added after agenda posted under timely filed appeal)

Tony Sisk and Barry Palmer provided public testimony in opposition to the staff recommendation. Motion made to approve staff recommendation by Gloria Ray and seconded by Chairman Conine. Motion failed 2-4 with Juan Muñoz, Tom Cardenas, Sonny Flores and Leslie Bingham Escareño voting no. After discussion, a motion was made to reconsider the vote by Leslie Bingham Escareño and seconded by Gloria Ray; motion passed unanimously.

C08157 Silver Leaf at Chandler (added after agenda posted under timely filed appeal)

Michael Sugrue provided public testimony in opposition to staff recommendation. Motion made to grant the appeal and extend the filing deadline for the resolution not later than three days after the next available city council meeting by Sonny Flores and seconded by Gloria Ray; passed unanimously.

Item 9: Multifamily Division Items–Private Activity Bond Program Items: **Robbye Meyer Dir. Multifamily Finance**

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

08402 Mansions at Moses Lake, Texas City
Southeast Texas HFC is the Issuer
Recommended Credit Amount of $838,687

Lee Birchfield provided public comment in support of the development. Motion made to approve staff recommendation by Leslie Bingham Escareño and seconded by Tom Cardenas; passed unanimously

b) Presentation, Discussion and Possible Action of a waiver of the 14-day submission requirement for the consistency with the consolidated plan letter in §50.9(h)(7)(B) and §50.12(b) of the 2008 Qualified Allocation Plan ("QAP")

Motion made to approve staff recommendation to waive the 14 day by Sonny Flores and seconded by Tom Cardenas; passed unanimously.

c) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds Series 2008 and a Determination Notice of Housing Tax Credits with TDHCA as the Issuer:

08603 West Oaks Senior Village Apartments, Houston, Harris County Texas for a bond Amount Not to Exceed $14,000,000 and the Issuance of a Determination Notice Recommended Credit Amount of $841,297. Resolution No. 08-018

Motion made to approve staff recommendation by Gloria Ray and seconded by Sonny Flores, passed unanimously

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, Resolution No. 08-019

08609	Providence Town Square	Deer Park
08610	St. James Manor Apartments	Dallas
08611	People's El Shaddai Apartments	Dallas

Motion made to approve staff recommendation by Leslie Bingham Escareño and seconded by Sonny Flores; passed unanimously

e) 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. 08-021

08606	Ennis Family and Senior Estates	Ennis

Barry Halla offered public comment regarding the item. The item was pulled from consideration.

Item 10: Financial Administration: **David Cervantes, Dir. Financial Administration**

a) Presentation, Discussion and Possible Approval of 2nd Quarter Investment Report

No Action taken

EXECUTIVE SESSION **Kent Conine, Chairman**

The Board went into Executive Session at 12:10 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 Respect to pending litigation styled *Rick Sims v. Texas Department of Housing and Community Affairs* filed in federal district court (new filing of previously dismissed suit)
3. With Respect to pending litigation styled *The Inclusive Communities Project, Inc. v. Texas Department of Housing and Community Affairs, et al* filed in federal district court
4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION **Kent Conine, Chairman**

The Board returned from executive session at 1:47 p.m. and announced that no action had been taken in executive session.

REPORT ITEMS
1. TDHCA Outreach Activities, February/March 2008
2. HOME Quarterly Amendments Report

ADJOURN

Meeting adjourned at 4:35 p.m.

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

JUNE 26, 2008

Action Items

Presentation, Discussion and Possible Action on publication in the Texas Register of a notice proposing the repeal of the following sections of Title 10, Texas Administrative Code, Chapter 1, concerning Administration:

§1.1 Private Donors

§1.12 Administrative Hearings

§1.5 Contract Monitoring Policy

Required Action

Reject, approve or amend the notice proposing to repeal the above-listed sections of Title 10, Texas Administrative Code, Chapter 1, concerning Administration

Background

As part of its 2008 Rule Review, the Department identified several rules that are no longer needed and should be repealed to eliminate unnecessary regulations. Section 1.1 (Private Donors) addresses standards of conduct that govern the relationship between Department employees and private donors. The section is proposed for repeal because the subject matter of the rule is fully addressed in various sections of the Texas Penal and Government Codes. Section 1.12 (Administrative Hearings) addresses the procedures for requesting a hearing at the State Office of Administrative Hearings. This section is proposed for repeal because it has been superseded by Tex. Gov't. Code Sections 2306.041 through 2306.0503, and the Department's new rules implementing those provisions found in 10 TAC Chapter 60, Subchapter C (Administrative Penalties). Section 1.5 (Contract Monitoring Policy) addresses the contract monitoring roles and responsibilities of certain divisions of the Department. This section is proposed for repeal because its subject matter is more appropriately published as an internal Department policy and because it affects only Department internal management responsibilities and not private rights or responsibilities.

Recommendation

Approve for publication in the *Texas Register* the notice proposing the repeal of the above-listed sections

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1 ADMINISTRATION

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of the following sections of Title 10 of the Texas Administrative Code, Chapter 1, concerning Administration: §1.1 concerning Private Donors, §1.12 concerning Administrative Hearings, and §1.5, concerning Contract Monitoring Policy. §1.1 concerning Private Donors is proposed for repeal because the subject matter is more appropriately covered in various provisions of the Government Code, Penal Code and the Department's ethics policy. §1.12 concerning Administrative Hearings is proposed for repeal because it has been superseded by Chapter 60C of this title, concerning Administrative Penalties. §1.5, concerning Contract Monitoring Policy is proposed for repeal because the subject matter is more appropriate as a Department policy.

Mr. Michael Gerber, Executive Director, has determined that for each year of the first five years that the repeals are in effect there is no foreseeable implications relating to costs or revenues of the state or local governments.

Mr. Gerber has also determined that for each year of the first five years the repeals are in effect the public benefit anticipated as a result of repealing these rules will be the elimination of duplicate and unnecessary regulations. There will be no adverse economic effect on small businesses or micro-businesses. There is no anticipated economic cost to persons who are affected by the repeals as proposed.

Written comments may be submitted to Texas Department of Housing and Community Affairs, Attn: Kevin Hamby, General Counsel, P.O. Box 13941, Austin, Texas 78711-3941 or by e-mail to the following address: kevin.hamby@tdhca.state.tx.us. All comments must be received within thirty days of the date of the publication of this notice.

The repeals are proposed pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by this proposed repeal.

§1.1 Private Donors
§1.12 Administrative Hearings
§1.5 Contract Monitoring Policy

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

JUNE 26, 2008

Action Items

Presentation, Discussion and Possible Action on publication in the *Texas Register* of a notice proposing the repeal of Title 10, Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Relief Program

Required Action

Reject, Approve or amend the notice proposing to repeal Title 10, Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Relief Program

Background

As part of its 2008 Rule Review, the Department has identified rules that are no longer needed and should be repealed. The 80th Legislature repealed the Department's authority in Tex. Gov't. Code §§2306.651 to 2306.658 to administer its Emergency Nutrition and Temporary Relief Program and so the Department's rules implementing this program in 10 TAC §§5.101- 5.114 and 5.116 - 5.121 are unnecessary and should be repealed.

Recommendation

Approve for publication in the Texas Register the notice proposing the repeal of the above-referenced Department rules.

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5 COMMUNITY SERVICES PROGRAMS

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of Title 10 of the Texas Administrative Code, Chapter 5, Subchapter B (§§5.101- 5.114 and 5.116 - 5.121), concerning Emergency Nutrition and Temporary Emergency Relief Program because the authority for the program was repealed by the 80th Legislature.

Mr. Michael Gerber, Executive Director, has determined that for each year of the first five years that the repeals are in effect there is no foreseeable implications relating to costs or revenues of the state or local governments.

Mr. Gerber has also determined that for each year of the first five years the repeals are in effect the public benefit anticipated as a result of repealing these rules will be the elimination of regulations that are no longer in effect. There will be no adverse economic effect on small businesses or micro-businesses. There is no anticipated economic cost to persons who are affected by the repeals as proposed.

Written comments may be submitted to Texas Department of Housing and Community Affairs, Attn: Kevin Hamby, General Counsel, P.O. Box 13941, Austin, Texas 78711-3941 or by e-mail to the following address: kevin.hamby@tdhca.state.tx.us. All comments must be received within thirty days of the date of the publication of this notice.

The repeals are proposed pursuant to the authority of the Texas Government Code, Chapter 2306 which provides the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by this proposed repeal.

§5.101 Program Overview
§5.102 Demonstration of Need
§5.103 Contractor Eligibility
§5.104 Scope of Services
§5.105 Application Requirements
§5.106 Plan of Service
§5.107 Budget
§5.108 Public Notice and Comment
§5.109 Contractor Requirements for Establishing Client Eligibility
§5.110 Contract Changes
§5.111 Contractor Reporting Requirements
§5.112 Payment
§5.113 Records
§5.114 Audit
§5.116 Contract Termination and Expiration
§5.117 Oil Overcharge Funding Program Overview
§5.118 Oil Overcharge Funding Scope of Services

§5.119 Oil Overcharge Funding Budget
§5.120 Overcharge Contractor Requirements for Establishing Client Eligibility
§5.121 Oil Overcharge Funding Payment and Reports

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Items

Presentation, Discussion and Possible Approval for extensions to submit documentation for the commencement of substantial construction.

Required Action

Approve, Amend or deny the requests for extension related to a 2006 Housing Tax Credit commitment.

Background

Pertinent facts about the request for extension is given below. The request was accompanied by a mandatory $2,500 extension request fee.

HTC No. 060225, Knightsbridge
(Commencement of Construction)

Summary of Request: The owner is requesting an extension of the deadline to submit the commencement of substantial construction documentation. The owner reports that the pouring of the foundations were delayed due to poor soil conditions from excessive rains that caused the tan clay sand soil to not be compacted to the required degree of density. The owner had to remediate the problem by having the soil treated with fly ash. A current summary of the progress is as follows: all foundations have been poured, over 20% of construction funds are expended, and approximately 25% of the framing is complete. The owner indicated that the additional 6-week extension requested would provide sufficient time to meet the 50% framing requirement. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Alix Knightsbridge Development Inc.
General Partner:	Alix Capital Investments
Developer:	Alix Capital Investments
Principals/Interested Parties:	Joseph J. Lopez
City/County:	Aldine/Harris
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	120 HTC units
2006 Allocation:	$843,815
Allocation per HTC Unit:	$7,032
Extension Request Fee Paid:	$2,500
Current Deadline:	May 23, 2008
New Deadline Requested:	July 4, 2008 (date required documentation was submitted)
New Deadline Recommended:	**July 4, 2008**
Previous Extensions:	December 1, 2007 extended to May 23, 2008
Staff Recommendation:	**Approve the extension as requested.**

HTC No. 060217, Mariposa Apartments at Reed Road
(Commencement of Construction)

Summary of Request: The owner is requesting an extension of the deadline to submit the commencement of substantial construction documentation. The owner reports that construction commencement was delayed because of the extensive wastewater infrastructure improvement needed for the Development site and area, which included the installation of a waste water line that covers over one mile in length. The owner indicated that the new waste water line will not only benefit the site, but also help serve a portion of Houston that is largely undeveloped due to a lack of utilities. A current summary of the progress is as follows: the general contractor has expended approximately 13% of the construction contract, the waste water line contractor has drawn over 22%, the Owner has drawn approximately 25% of the Development budget, and 6% of the slabs have been poured. The owner's extension request included all documentation necessary to comply with the requirement. The owner does not believe the development will be able to be placed in service by December 31, 2008 as required by federal regulation because of these delays in the start of construction. The owner is also requesting an extension of the placement in service date pursuant to §1400N(c)(5) of the Internal Revenue Code which provides relief for placement in service for developments in the Hurricane Go Zones that are allocated tax credits in 2006, 2007 and 2008. However, at the time of publication, the Department has not received all the necessary information to complete this request.

Owner:	Reed Road Senior Residential LP
General Partner:	SSFP Reed Road V LP
Developer:	SSFP Reed Road V LP
Principals/Interested Parties:	Stuart Shaw
City/County:	Houston/Harris
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	172 HTC units
2006 Allocation:	$1,200,000
Allocation per HTC Unit:	$6,977
Extension Request Fee Paid:	$2,500
Current Deadline:	May 1, 2008
New Deadline Requested:	September 30, 2008 (date required documentation was submitted)
New Deadline Recommended:	**September 30, 2008**
Previous Extensions:	December 1, 2007 extended to May 1, 2008
Staff Recommendation:	**Approve the extension of the deadline to submit the documentation for the commencement of substantial construction, as requested.**

<u>HTC No. 060076, Countryside Village</u>
(Commencement of Construction)

<u>Summary of Request</u>: The owner is requesting an extension of the deadline to submit the commencement of substantial construction documentation. The owner reports that there was a delay in the equity and construction closing due to a total failure of title with a regard to the owner's ownership of the Development site. The failure of title was determined when the equity investor requested that the owner provide confirmation of ownership during the 10-year holding period, which subsequently identified that there was a stranger to the chain of ownership. On January 31, 2008, the owner filed a claim against the title company, the title company investigated the matter, and the failure of title was resolved. The owner also indicated that they were granted an extension to the Placed in Service deadline to December 31, 2009, which should allow them to meet the Placed in Service deadline, if construction has substantially commenced by the end of 2008. The Placed in Service deadline extension was granted on December 17, 2007. The owner's current extension request included all documentation necessary to comply with the requirements of such an extension.

Owner:	NHDC Apartments – Countryside Village, LP
General Partner:	TX Countryside Village GP, LLC
Developer:	National Housing Development Corp.
Principals/Interested Parties:	Lisa Castillo, Jeffrey Burum and Arnoldo Resendez
City/County:	Humble/Harris
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	Acquisition/Rehab
Population Served:	Family
Units:	182 HTC units
2006 Allocation:	$716,703
Allocation per HTC Unit:	$3,938
Extension Request Fee Paid:	$2,500
Current Deadline:	May 30, 2008
New Deadline Requested:	December 31, 2008 (date required documentation was submitted)
New Deadline Recommended:	**December 31, 2008**
Previous Extensions:	December 1, 2007 extended to May 30, 2008
Staff Recommendation:	**Approve the extension as requested.**

May 23, 2008

Robbye Meyer
TDHCA
PO Box 13941
Austin, TX 78711-3941

05-29-08P03:45 RCVD

Ms. Meyer:

Please accept this request for an extension of the commencement of substantial construction deadline for HTC application 060225, Knightsbridge Apartments in Aldine, TX. We request that the deadline be extended for an addition six weeks from May 23, 2008 to July 4, 2008.

We are requesting this extension because of soil conditions on the site which required additional remediation before the foundations could be poured. Due to excessive rains the tan clayey sand soil was too wet and could not be compacted to the required degree of density. In most cases, sites are left to dry naturally, unfortunately with a wet winter/spring the site never was able to get to that point. Eventually, the developer had to engage a company to treat the soil with fly ash to accelerate the process.

To date, all the foundations have been poured, over 20% of construction funds expended, and approximately 25% of the framing completed. We believe that an additional six weeks will provide sufficient time to get to the required 50% framing.

Please contact Sarah Anderson at 512-554-4721 or sarah@sarahandersonconsulting.com if you have any questions related to this request. Thank you for your consideration of this matter.

Sincerely,

Joseph Lopez
Developer

Cc: Patricia Murphy, Director, Portfolio Management and Compliance

Kent Bedell

From: Sarah Anderson [sarah@sarahandersonconsulting.com]

Sent: Thursday, May 29, 2008 2:50 PM

To: 'Kent Bedell'

Subject: Knightsbridge pictures

Kent,

Attached are pictures of the Knightsbridge construction site. It shows that the slabs are poured, elevator bay up, and clubhouse completed (framing estimates of 20% are based using the clubhouse framing completion equaling about 20% of the total on the property).

Regards,

Sarah Anderson
S. Anderson Consulting

1305 E. 6th St., #12
Austin, TX 78702
512-554-4721
fax: 512-233-2269

BONNER CARRINGTON

04-30-08P03:59 RCVD

April 30, 2008

Ms. Robbye Meyer
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Mariposa Apartment Homes at Reed Road, fka Reed Road Senior Residential, (TDHCA #060217) Substantial Construction Extension Request

Dear Ms. Meyer,

Reed Road Senior Residential LP respectfully requests an extension to September 30, 2008 to the May 1, 2008 substantial construction deadline for the Mariposa at Reed Road (MRR) development located in the 2900 Block of Reed Road, Houston, Texas 77051. The MRR transaction closed in December 2007 and construction started in the January 2008. The MRR closing and construction commencement were delayed because of an extensive waste water infrastructure improvement catalyzed and organized by the MRR development. The waste water line is over a mile in length and will serve a portion of Houston that has largely been undeveloped due to a lack of utilities (see aerial below).

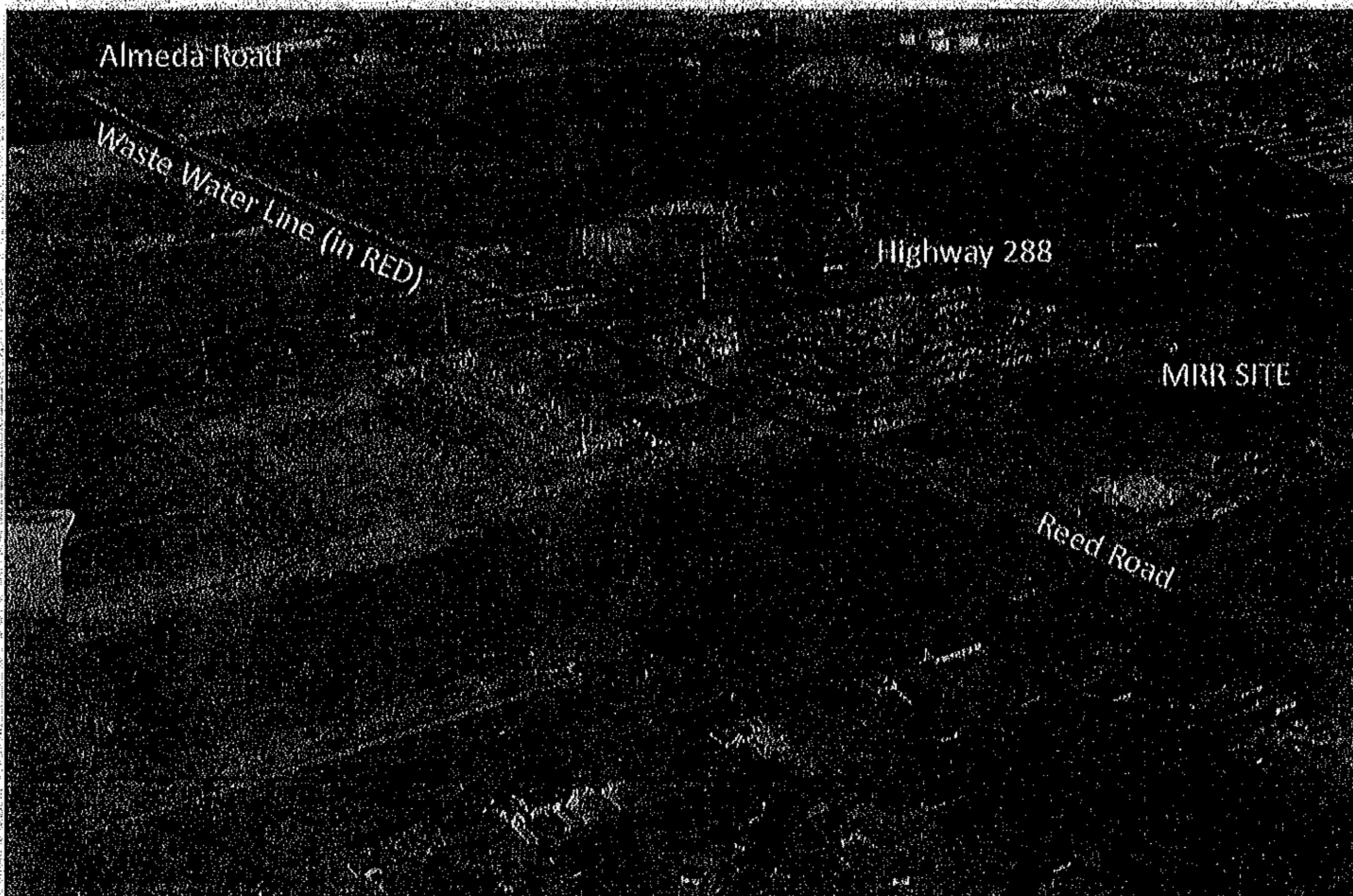
MRR onsite activities are well underway (see attached photos). Site utilities are being installed and the General Contractor is advancing quickly despite a delay after closing due to the Christmas holidays and then 16 rain delay days since construction commenced. To date the General Contractor has expended approximatley 10 percent of the construction contract, the waste water line contractor has drawn over 10 percent and the Owner has drawn approximately 22% of the development budget. The project is making great progress and continutes to have great support from the City of Houston and surrounding community members.

901 MoPac Expressway South Barton Oaks Plaza Building IV Suite 180 Austin, Texas 78746
T: 512-220-8000 F: 512-329-9002

Sincerely,

Stuart B. Shaw
Applicant's Representative

Attachments



The development of the project has involved both protracted negotiation with the City of Houston with regard to the $4,250,000 HOME loan being made by the City, as well as extensive logistical measures to coordinate the development of the offsite utilities that will serve the project. However, all of these items have been resolved and are currently prorgressing at a rapid pace and, accordingly, the Applicant is seeking this extension until September 30, 2008 for the substantial construction requirement.

If you have any questions or need additional information please contact me or Casey Bump in my office at 512-220-8000.

BONNER CARRINGTON

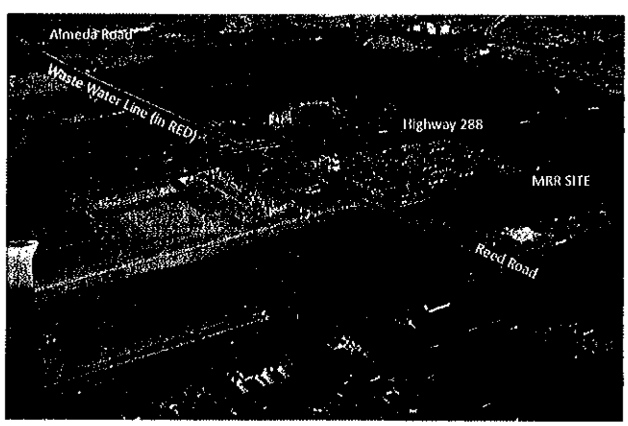
June 03, 2008

Mr. Kent Bedell
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Mariposa Apartment Homes at Reed Road (MRR), fka Reed Road Senior Residential, (TDHCA #060217) Substantial Construction Extension Request

Dear Ms. Meyer,

MRR onsite activities are well underway (see attached photos). Site utilities are almost complete and foundations are being poured. To date the General Contractor has expended approximatley 13 percent of the construction contract, the waste water line contractor has drawn over 22 percent and the Owner has drawn approximately 25% of the development budget. The project is making great progress and continutes to have great support from the City of Houston and surrounding community members.



901 MoPac Expressway South Barton Oaks Plaza Building IV Suite 180 Austin, Texas 78746
T: 512-220-8000 F: 512-329-9002

The development of the project has involved both protracted negotiation with the City of Houston with regard to the $4,250,000 HOME loan being made by the City, as well as extensive logistical measures to coordinate the development of the offsite utilities that will serve the project. However, all of these items have been resolved and are currently prorgressing at a rapid pace and, accordingly, the Applicant is seeking this extension until September 30, 2008 for the substantial construction requirement.

If you have any questions or need additional information please contact me or Casey Bump in my office at 512-220-8000.

Sincerely,

Stuart B. Shaw
Applicant's Representative

Attachments

Kent Bedell

From: Casey Bump [cbump@bonnercarrington.com]
Sent: Friday, May 30, 2008 9:18 AM
To: Kent Bedell
Subject: MRR TDHCA #060217

Kent,

Here are the updated numbers:

On-Site Construction is at approximately 13%. We are making great progress, but it is not reflected in this billing because most companies bill 30 days behind.

Waste Water Line – approximately 22%

Development Budget – approximately 25%

Let me know if you need additional information.

Thanks,

Casey

Casey Bump
T - 512-220-8000 Extension 1902
C - 512-796-4031
F - 512-329-9002

Bonner Carrington LLC
Barton Oaks Plaza
901 Mopac Expressway South
Building IV, Suite 180
Austin, Texas 78746

BONNER CARRINGTON

June 16, 2008

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Mariposa at Reed Road (fka Reed Road Senior Residential) TDHCA #060217
Placed In Service Extension Request

Dear Ms. Meyer,

The Owner, Reed Road Senior Residential LP, of Mariposa Apartment Homes at Reed Road (MRR) requests an extension until June 30, 2009 to the placed in service date for this community. The extension is allowed under IRS guidelines as a result of legislation approved in HR 2206 (attached).

MRR is in the middle of a large infrastructure improvement and is acting as the catalyst for future development in an area of Houston that was effectively zoned industrial because of a lack of utilities, but is in fact a wonderful in-fill development corridor. MRR has worked closely with the City of Houston, legislators and community leaders for three years on this project and the finish line is closer than ever. The attached Highway 288 Development Corridor Map is a visual representation of the development surrounding the waste water line improvements along Reed Road. Without the waste water line this areA of Houston would continue to be the home of concrete crushing plants and industrial uses.

The waste water line is on schedule, but started later because of delays related to funding and closing this complicated transaction. Even though the waste water line is on budget and on time, there are many obstacles that could cause delay for example: completing bores under two state highways, a railroad line and high pressure gas line and Houston's weather. Any delays associated with waste water line will prevent MRR from connecting to the line thus delaying the certificate of occupancy.

The waste water line and apartment construction are scheduled for completion during the first quarter of 2009. Over the last few months Houston has experienced lower

901 MOPAC EXPRESSWAY SOUTH BARTON OAKS PLAZA BUILDING IV SUITE 180 AUSTIN, TEXAS 78746
T: 512-220-8000 F: 512-329-9002

rainfall allowing the contractors to make up time with the waste water line and onsite improvements. As of June 3, 2008 the General Contractor has expended approximately 13 percent of the construction contract, the waste water line contractor has drawn over 22 percent and the Owner has drawn approximately 25% of the development budget. If the good weather continues and the general contractors of the onsite and waste water line improvements do not encounter major obstacles there is A possibility that MRR will meet the PIS date of December 31, 2008 however MRR needs to be prepared for the worst case scenario.

The Owner requests approval from the TDHCA of the federally legislated and approved PIS extension date of June 30, 2008 for MRR. MRR is an active testament to what is possible through working with local communities within the affordable housing program. If you need additional information or would like to join us for a tour of the construction sites please contact me or Casey Bump at 512-220-8000.

Sincerely,

Stuart Shaw
Owner's Representative and
Manager of the Owner's General Partner

CC via Email: Barry Palmer
Jeff Spicer
Bill Walter

Attachments: Section 8222 excerpt from HR 2206
MRR Development Corridor Map

end of paragraph (15) and inserting a semicolon, by striking the period at the end of paragraph (16) and inserting "; and", and by inserting after paragraph (16) the following new paragraph:

"(17) notwithstanding the preceding provisions of this subsection, each spouse's share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) in determining net earnings from self-employment of such spouse.".

(2) Subsection (a) of section 211 of the Social Security Act (defining net earnings from self-employment) is amended by striking "and" at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting "; and", and by inserting after paragraph (15) the following new paragraph:

"(16) Notwithstanding the preceding provisions of this subsection, each spouse's share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) of the Internal Revenue Code of 1986 in determining net earnings from self-employment of such spouse.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

Subpart B—Gulf Opportunity Zone Tax Incentives

SEC. 8221. EXTENSION OF INCREASED EXPENSING FOR QUALIFIED SECTION 179 GULF OPPORTUNITY ZONE PROPERTY.

Paragraph (2) of section 1400N(e) (relating to qualified section 179 Gulf Opportunity Zone property) is amended—

(1) by striking "this subsection, the term" and inserting: "this subsection—

"(A) IN GENERAL.—The term", and

(2) by adding at the end the following new subparagraph:

"(B) EXTENSION FOR CERTAIN PROPERTY.—In the case of property substantially all of the use of which is in one or more specified portions of the GO Zone (as defined by subsection (d)(6)), such term shall include section 179 property (as so defined) which is described in subsection (d)(2), determined—

"(i) without regard to subsection (d)(6), and

"(ii) by substituting '2008' for '2007' in subparagraph (A)(v) thereof.".

SEC. 8222. EXTENSION AND EXPANSION OF LOW-INCOME HOUSING CREDIT RULES FOR BUILDINGS IN THE GO ZONES.

(a) TIME FOR MAKING LOW-INCOME HOUSING CREDIT ALLOCATIONS.—Subsection (c) of section 1400N (relating to low-income housing credit) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) TIME FOR MAKING LOW-INCOME HOUSING CREDIT ALLOCATIONS.—Section 42(h)(1)(B) shall not apply to an allocation of housing credit dollar amount to a building located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone, if such allocation is made in 2006, 2007, or 2008, and such building is placed in service before January 1, 2011.".

(b) EXTENSION OF PERIOD FOR TREATING GO ZONES AS DIFFICULT DEVELOPMENT AREAS.—

(1) IN GENERAL.—Subparagraph (A) of section 1400N(c)(3) is amended by striking "2006, 2007, or 2008" and inserting "the period beginning on January 1, 2006, and ending on December 31, 2010".

(2) CONFORMING AMENDMENT.—Clause (ii) of section 1400N(c)(3)(B) is amended by striking "such period" and inserting "the period described in subparagraph (A)".

(c) COMMUNITY DEVELOPMENT BLOCK GRANTS NOT TAKEN INTO ACCOUNT IN DETERMINING IF BUILDINGS ARE FEDERALLY SUBSIDIZED.—Subsection (c) of section 1400N (relating to low-income housing credit), as amended by this Act, is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

"(6) COMMUNITY DEVELOPMENT BLOCK GRANTS NOT TAKEN INTO ACCOUNT IN DETERMINING IF BUILDINGS ARE FEDERALLY SUBSIDIZED.—For purpose of applying section 42(i)(2)(D) to any building which is placed in service in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone during the period beginning on January 1, 2006, and ending on December 31, 2010, a loan shall not be treated as a below market Federal loan solely by reason of any assistance provided under section 106, 107, or 108 of the Housing and Community Development Act of 1974 by reason of section 122 of such Act or any provision of the Department of Defense Appropriations Act, 2006, or the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006.".

SEC. 8223. SPECIAL TAX-EXEMPT BOND FINANCING RULE FOR REPAIRS AND RECONSTRUCTIONS OF RESIDENCES IN THE GO ZONES.

Subsection (a) of section 1400N (relating to tax-exempt bond financing) is amended by adding at the end the following new paragraph:

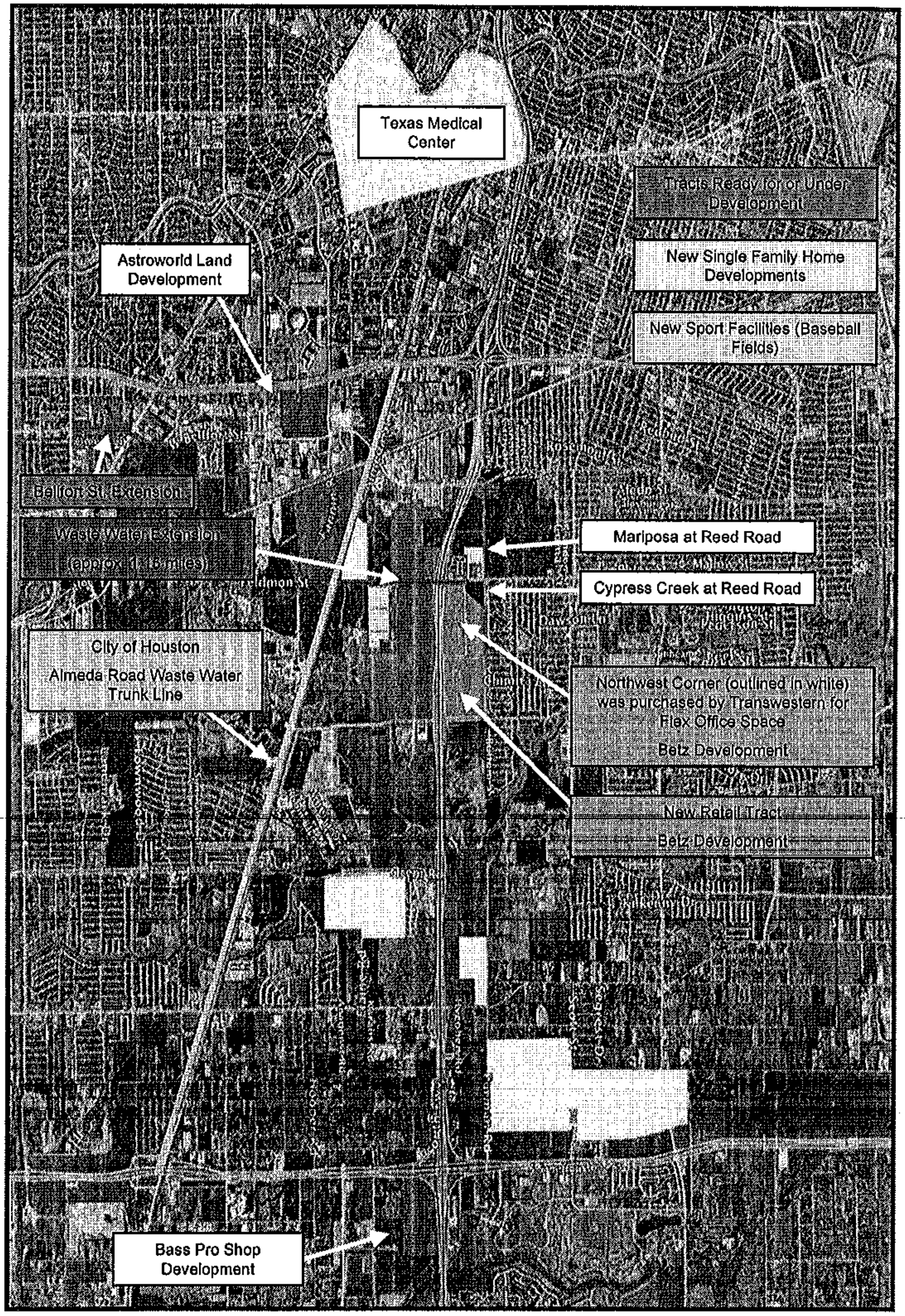
"(7) SPECIAL RULE FOR REPAIRS AND RECONSTRUCTIONS.—

"(A) IN GENERAL.—For purposes of section 143 and this subsection, any qualified GO Zone repair or reconstruction shall be treated as a qualified rehabilitation.

"(B) QUALIFIED GO ZONE REPAIR OR RECONSTRUCTION.—For purposes of subparagraph (A), the term 'qualified GO Zone repair or reconstruction' means any repair of damage caused by Hurricane Katrina, Hurricane Rita, or Hurricane Wilma to a building located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone (or reconstruction of such building in the case of damage constituting destruction) if the expenditures for such repair or reconstruction are 25 percent or more of the mortgagor's adjusted basis in the residence. For purposes of the preceding sentence, the mortgagor's adjusted basis shall be determined as of the completion of the repair or reconstruction or, if later, the date on which the mortgagor acquires the residence.

"(C) TERMINATION.—This paragraph shall apply only to owner-financing provided after the date of the enactment of this paragraph and before January 1, 2011.".

Highway 288 Corridor
Development Activity



COATS | ROSE

TAMEA A. DULA
OF COUNSEL

tdula@coatsrose.com
Direct Dial
(713) 653-7322
Direct Fax
(713) 890-3918

May 29, 2008

By Federal Express
Mr. Michael Gerber
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, TX 78701-2410

RECEIVED
MAY 30 2008
EXECUTIVE DIRECTOR

05-30-08A09:48 RCVD

RE: Countryside Village (TDHCA # 060076) (the "Project");
Request for Second Extension of Commencement of Substantial Construction Deadline.

Dear Mr. Gerber:

NHDC Apartments - Countryside Village, LP ("Applicant") requests a second extension of the Commencement of Substantial Construction Deadline from May 30, 2008 until **December 31, 2008**, on behalf of Countryside Village. Enclosed is a check payable to the TDHCA in the amount of $2,500, representing the extension fee. By letter dated October 5, 2007, the TDHCA granted an extension of the deadline from December 1, 2007 until May 30, 2008 (copy enclosed). Extremely unusual circumstances have further delayed the equity and construction loan closings on the Project, but have now been resolved and the developer, National Community Renaissance Development Corporation (formerly National Housing Development Corporation), is now ready to proceed.

In January 2008, the Applicant was poised to close on the equity and construction loan. Because this Project includes acquisition tax credits, the investor's tax counsel requested that the Applicant provide confirmation of ownership during the 10-year hold period. The title company did not have this information immediately available, so a title search was conducted through our law offices. In so doing, we discovered that the Applicant's predecessor in title, NHDC Countryside Village, LLC ("LLC"), which is wholly-owned by a qualified non-profit organization, had received a deed in 2003 from an entity that was a stranger to the chain of ownership, but which had exactly the same name as the entity that had acquired title to the property from HUD in 1991. This discovery meant that there was a total failure of title with regard to the Applicant's ownership of the development site.

On January 31, 2008, the LLC filed a claim against the title company that had insured its title to the development site. The title company investigated the matter and ultimately issued a letter confirming that the claim was valid. Through lengthy negotiations with predecessors in the chain of title, we have obtained a Correction and Replacement Special Warranty Deed ("Replacement Deed") into the LLC out of the winding up general partner of the limited partnership that had acquired the land in 1991 and subsequently dissolved.

Resolution of the failure of title means that the Applicant is now positioned to proceed to the equity and construction loan closings. While the delay in closing has resulted in new challenges being presented, the Applicant intends to press forward and anticipates closing in late summer, with construction to begin immediately thereafter. Having a revised Commencement of Substantial Construction deadline of December 31, 2008, will provide a small amount of scheduling flexibility that may be necessary since issues regarding the changed tax credit market will need to be addressed.

Please note that extending the Commencement of Substantial Construction Deadline to December 31, 2008, will not endanger compliance with the Placed in Service Deadline for this development. By letter dated December 17, 2007, the Applicant was granted an extension of the Placed in Service Deadline to December 31, 2009, due to the development's location in a major disaster area (copy enclosed). The Applicant previously had a firm construction price based upon a 12-month development schedule, so the Project will be able to meet its Placed in Service Deadline if construction has substantially commenced by the end of 2008.

Since the requested extension will result in a total extension of over six (6) months, we realize that it will be necessary to take this request to the TDHCA Board. In order to facilitate the Applicant's efforts to get this Project underway, we respectfully request that the extension request be heard at the Board Meeting currently scheduled for June 26, 2008.

If you have any questions, or if you need any additional information in order to make a determination in connection with this request for extension, please do not hesitate to call me at 713-653-7322.

Very truly yours,

Tamea A. Dula

Tamea A. Dula

Enclosures

cc: Rick Whittingham, National CORE
Ron Wallace, National CORE

1125176.2/005081.000004

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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C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

October 5, 2007

Ms. Tamea Dula
Coats | Rose
3 East Greenway Plaza, Suite 2000
Houston, Texas 78746

Re: Countryside Village (the Development), Humble
Housing Tax Credit Development No. 060076

Dear Ms. Dula:

The Texas Department of Housing and Community Affairs (Department) received your letter of September 28, 2007. The letter requested an extension of the December 1, 2007 deadline for fulfilling the commencement of substantial construction requirement. The new deadline requested was May 30, 2008. As stated in §49.20(l) of the 2007 Qualified Allocation Plan and Rules, an extension that exceeds the original deadline by less than six months may be approved administratively.

A reason given for the request was that uncertainties about the treatment of rental subsidies by the United States Department of Housing and Urban Development (HUD) have caused delays in finalizing the financing for the development. You stated that a favorable resolution to the issue appears to be forthcoming. Problems caused by the short supply of contractors in the subject area, a lingering effect of the damage caused by Hurricanes Katrina and Rita, was stated as another reason for the request.

Your request is granted. Please include this letter with the submission of your cost certification.

Thank you for your letter.

Sincerely,

Michael Gerber
Executive Director

MFP/bs

Cc: Robbye Meyer, Director of Multifamily Finance Production
Wendy Quackenbush, Team Leader – On-Site Monitoring

221 EAST 11TH • P. O. BOX 13941 • AUSTIN, TEXAS 78711-3941 • (800) 525-0657 • (512) 475-3800

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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December 17, 2007

Ms. Tamea Dula, Esq.
Coats | Rose
3 East Gateway Plaza, Suite 2000
Houston, Texas 77046-0307

Re: Countryside Village (the Development), Humble, Harris County
Housing Tax Credit Development No. 060076

Dear Ms. Dula:

The Texas Department of Housing and Community Affairs received your letter of November 27, 2007. The letter requested a one year extension of the December 31, 2007 deadline for the development named above to be placed in service. The request is made pursuant to Revenue Procedures 95-28 and 2007-54. The revenue procedures provide relief for owners with carryover allocations for developments located in counties designated by the Federal Emergency Management Agency (FEMA) as eligible for disaster assistance as of the date of a Presidential Disaster Declaration. A carryover allocation was in effect for the subject development when Harris County was designated in association with FEMA Disaster Number 1730-DR, declared on October 2, 2007 and FEMA Disaster Number 3277-EM, declared on August 18, 2007.

Your request is granted as requested to the new deadline of December 31, 2009. Please include this letter with the submission of your cost certification.

Thank you for your letter.

Sincerely,

Michael Gerber
Executive Director

MFP/bs

Cc: Robbye Meyer, Director of Multifamily Finance Production
Raquel Morales, Manager of Real Estate Analysis
Emily Price, Specialist in Multifamily Finance Production

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26,2008

Action Item

Presentation, Discussion and Possible Approval of Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve, Amend or Deny the Recommended List Below.

Background

The Department currently has an open Request for Qualifications (RFQ) published on the website. The underwriters are approved on a two year basis and it is time to renew that approval for several firms. For multifamily bond transactions, the Applicant selects an underwriter from an approved list published by the Department. The underwriter will develop the financial structure (i.e. fixed rate or variable, bond maturities, etc), prepare cash flows, and sell the bonds. If the transaction is privately placed, the placement agent will negotiate the sale to private investors.

On March 26, 2008, letters were sent to all of the approved multifamily underwriters notifying them of the need to update their qualifications. The Department received eleven (11) responses. Eleven (11) firms are requesting renewal from the Department's request of their qualifications, one firm was re-approved in August 2007 and therefore does not expire until August 2009 and one additional firm is requesting to be added to the approved list from the open RFQ.

After reviewing the qualifications of each underwriting firm, the Department staff recommends that the following Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters List:

Merrill Lynch	Senior Manager	Remain on approved list
Bank of America Securities	Senior Manager	Remain on approved list
Morgan Keegan	Senior Manager	Remain on approved list
George K Baum & Company	Senior Manager	Remain on approved list
Citigroup Global Markets	Senior Manager	Remain on approved list
Wachovia Securities	Senior Manager	Remain on approved list
National Alliance Securities	Senior Manager	Remain on approved list
Red Capital Markets, Inc.	Senior Manager	Remain on approved list
Merchant Capital, LLC	Senior Manager	Remain on approved list
Estrada Hinojosa	Co-Senior Manager	Remain on approved list
PNC Multifamily Capital	Senior Manager	Add to approved list

Recommendation

Staff recommends that the Board approve the above list.

Senior Managing Underwriters for Multifamily Transactions

Stephens Inc (2/15/06)
Contact: Tom Langdon
100 North Broadway, Suite 1850
Oklahoma City, OK 73102
Phone: (405) 231-2890
Fax: (405) 231-4446

National Alliance Securities Corporation (6/26/06)
Contact: Stephen Lipkin
1755 Wittington Place, Suite 320
Dallas, Texas 75234
Phone: (469) 522-4440 ext 103
Fax: (469) 522-4441

George K. Baum & Co. (6/26/06)
Contact: Guy E. Yandel
717 Seventeenth Street, Suite 2500
Denver, CO 80202
Phone: (303) 292-1600
Fax: (800) 722-1670

Merchant Capital, L.L.C. (7/28/06)
Contact: John Rucker, III
250 Commerce, Suite 36104
Montgomery, Alabama 36101
Phone: (334) 834-5100
Fax: (334) 269-0902

Citigroup Global Markets (6/26/06)
Contact: Jerry Wright
611 West 5th Street, 2nd Floor
Austin, Texas 78701
Phone: (512) 320-5325
Fax: (281) 274-8950

A.G Edwards & Sons, Inc (6/26/06)
Contact: Nora Chavez
One North Jefferson
St. Louis, Missouri 63103
Phone: (314) 955-3616
Fax: (314) 955-7371

Red Capital Markets, Inc. (6/26/06)
Contact: James F. Croft
Two Miranova Place
Columbus, OH 43215
Phone: (614) 857-1652
Fax: (614) 857-9646

JP Morgan Chase (10/12/06)
Contact: Michael Toth
270 Park Avenue, 48th Floor
New York, NY 10017
Phone: (212) 270-0470

Morgan Keegan (06/26/06)
Contact: Mark C. O'Brien
5956 Sherry Lane, Suite 1900
Dallas, TX 75225
Phone: (214) 365-5524
Fax: (214) 365-5563

Banc of America Securities (6/26/06)
Contact: Robin L. Ginsburg
Contact: Aulii Limtiaco
9 West 57th, 6th Floor
New York, NY 10019
Phone: (212) 847-6351
Fax: (212) 933-2268

Merrill Lynch (New York) (6/26/06)
Contact: Barbara Feldman
4 World Financial Center, Floor 09
New York, NY 10080
Phone: (212) 449-0620
Fax: (212) 449-7174

Stern Brothers & Co. (8/23/07)
Contact: Terrence Finn
8000 Maryland Avenue, Suite 800
St. Louis, MO 63105
Phone: (314) 743-4010
Fax: (314) 727-7313

Co-managing Underwriters For Multifamily Transactions

Jackson Securities (6/26/06)
Contact:
100 North Broadway, Suite 1850
Oklahoma City, OK 73102
Phone: (405) 231-2890
Fax: (405) 231-4446

Estrada Hinojosa (6/26/06)
Contact: Robert Estrada
1717 Main Street, Suite 4740
Dallas, TX 75201
Phone: (214) 658-1670
Fax: (214) 658-1671

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of Trustees for the Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve, Amend or Deny the Recommended List Below.

Background

The Department has an open Request for Qualifications (RFQ) published on the website. The approved trustees are approved on a two year basis and it is time to renew that approval. For multifamily bond transactions, the Applicant selects a trustee from an approved list published by the Department. The trustee administers the Trust Indenture, makes payments to the Bondholders and disburses bond proceeds, and provides reports on bond issues and fund balances to the Department.

On March 26, 2008, letters were sent to those approved multifamily trustees whose qualification period was near expiring notifying them of the need to update their qualifications. The Department received three (3) responses. Three (3) firms are renewing their qualifications from the request of the Department and one (1) firm was re-approved in August 2007 and will not come up for renewal until August 2009.

After reviewing the qualifications of each trustee, the Department staff recommends the following three Trustees remain on the list.

Bank of New York, Trust Company, N.A.	Trustee	Remain on approved list
Wells Fargo Bank Texas, N.A.	Trustee	Remain on approved list
Regions Bank	Trustee	Remain on approved list

Recommendation

Staff recommends that the Board approve the above list.

Approved Trustees for Multifamily Bond Transactions

Wells Fargo Bank Texas, N.A. (06/06)
Contact: Sherri H. Owen or Greg Hasty
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Phone: (214) 668-6450
Sherri.h.owen@wellsfargo.com
Phone: (214) 740-1548
greg.hasty@wellsfargo.com

Wells Fargo Bank Texas, N.A. (06/06)
Austin Office Contact: Greg Stites
400 West 15th, First Floor
Austin, Texas 78701
Phone: (512)344-8640
greg.l.stites@wellsfargo.com

U.S Bank National Association (08/07)
Contact: Ronda Parman
5555 San Felipe, Suite 1150
Houston, Texas 77056
Phone: (713) 235-9207
ronda.parman@usbank.com

Bank of New York (06/06)
Houston Contact: Seth Crone
601 Travis Street, Floor 16
Houston, Texas 77002
Phone: (713) 483-6568
seth.w.crone@bankofny.com

Bank of New York (06/06)
Dallas Contact: Kathy McQuiston
600 North Pearl Street, Suite 420
Dallas, Texas 75201
Phone: (214) 880-8227
kmcquiston@bankofny.com

Regions Bank (10/06)
Houston Office Contact: Cary W. Gilliam
1717 St. James Place, Suite 500
Houston, Texas 77056
Phone: (713) 693-5344
Cary.gilliam@regions.com
Alternate Contact: Ann Harris
Phone: (205) 264-5403
Ann.harris@regions.com

Regions Bank (10/06)
Dallas Office Contact: Mark Dault
1111 W. Mockingbird Lane, Suite 1200
Dallas, Texas 75247
Phone: (214) 678-2577
mark.dault@regions.com

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE

Capitol Auditorium, 1500 N. Congress

June 26, 2008
9:00 am

AGENDA

CALL TO ORDER, ROLL CALL — Gloria Ray, Chair

CERTIFICATION OF QUORUM — Gloria Ray, Chair

PUBLIC COMMENT
The Audit Committee of the Board of the Texas Department of Housing and Community Affairs 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 Committee.

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

Internal Audit

Item 1	Approval of Minutes of the September 13, 2007 Audit Committee Meeting	Kevin Hamby Secretary to Governing Board
Item 2	Presentation and Discussion of Internal Audit Report on the Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grants Programs	Sandy Donoho, Dir. Internal Audit
Item 3	Presentation and Discussion of the Department of Energy's Monitoring Report on the Weatherization Assistance Program	Sandy Donoho, Dir. Internal Audit
Item 4	Status of the TDHCA Fraud Hotline	Sandy Donoho, Dir. Internal Audit
Item 5	Status of Prior Audit Issues	Sandy Donoho, Dir. Internal Audit
Item 6	Status of the Internal Audit Division's Fiscal Year 2008 Work Plan	Sandy Donoho, Dir. Internal Audit
Item 7	Status of External Audits	Sandy Donoho, Dir. Internal Audit

EXECUTIVE SESSION
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session Personnel Matters – Discussion Under Sec. 551.074, Texas Government Code of Performance Evaluation for Internal Auditor

ADJOURN — Gloria Ray, Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, TDHCA, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3934 and request the information.

Individuals who require the 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, 512-475-2124 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.

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

September 13, 2007; 8:30 am
Capitol Extension, E1.028
1500 N. Congress

AUDIT COMMITTEE SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of September 13, 2007 was called to order by the Chair, Shadrick Bogany at 8:37 a.m. It was held at 1500 North Congress, Capitol Extension, E1.028.

Roll call certified a quorum was **not** present.

Members Present:
Shadrick Bogany – Chair

Members Absent:
Sonny Flores – Member
Gloria Ray – Member

Kent Conine, Shadrick Bogany, and Mayor Norberto Salinas in attendance.

PUBLIC COMMENT
The Audit Committee of the Board of the Texas Department of Housing and Community Affairs 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 Committee.

No public comment.

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

Approval of the following items presented in the Board materials:

General Administration:
a) Minutes of the Audit Committee Meeting of February 1, 2007 and May 10, 2007
No action taken due to lack of quorum.

REPORT ITEM MATERIALS AVAILABLE IN BOARD BOOK FOR SEPTEMBER 13, 2007
AGENDA ITEM 1
Presentation and Discussion of Audit Results from HUD's Consolidated Review – Section 8
Briefing only. No action taken.

AGENDA ITEM 2
Presentation and Discussion of Audit Results of State Auditor's Office's Classification Compliance Review
Briefing only. No action taken.

AGENDA ITEM 3
Status of Prior Audit Issues
Briefing only. No action taken.

AGENDA ITEM 4

Status of Internal/External Audits
Briefing only. No action taken.

EXECUTIVE SESSION

Executive Session not held.

a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee

ADJOURN

Since there was no other business to come before the Audit Committee, the meeting was adjourned at 9:04 a.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

Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation and discussion of Internal Audit Report of the Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grants Programs.

Required Action

None, information item only.

Background

The Department of Housing and Community Affairs (Department) should improve the processes used to manage the Community Services Block Grant (CSBG) Program and the Emergency Shelter Grant Program (ESGP) to ensure that subrecipients are accountable for the grant funds they receive from the Department and that these programs are administered efficiently.

The Department has good controls over the way in which the federal funds are allocated between the Department and its subrecipients. However, improvements can be made in the use of the funds for specific activities. CSBG funds designated for the Department's administrative expenses are spent on training and technical assistance provided to subrecipients, which is not allowable under the Texas Administrative Code rule that directs how the CSBG funds should be spent. In addition, ESGP funds designated for the Department's administrative expenses are spent on developing the Consolidated Plan which serves as the state's application for federal funds. However, the ESGP grant does not allow these funds to be spent on this activity.

Improvements should also be made to ensure that CSBG administrative funds are spent on a timely basis. At the end of each program year, there is approximately $1 million in available grant funds remaining. The guidance on the carryover of administrative funds is unclear and may require the Department to seek guidance from the U.S. Department of Health and Human Services.

The Department does a good job of ensuring that the subrecipients receive on-site monitoring visits as required. However, the processes used to monitor the subrecipients for both programs should be enhanced to ensure that they comply with laws and program rules and that the subrecipients adhere to the Department's program requirements. There are inconsistencies in the processes used to identify and categorize the monitoring results for both programs. These inconsistencies increase the risk that subrecipients may not be held accountable and that problems at the subrecipient level may not be identified in time for the Department to intervene and provide assistance.

Other Key Points

- The processes used to track and monitor CSBG subrecipients' expenditures needs improvement. Some CSBG subrecipients may be receiving more than a 30-day supply of funding. Program rules and the CSBG contract limit subrecipients to a 30 day supply of operating funds on hand.
- Program officers do not obtain sufficient financial information to evaluate the CSBG subrecipients' financial status. Program officers review financial documentation, but generally have not retained all of the documentation needed to verify assertions about bank account and general ledger fund balances.
- Community Services has not defined the criteria used to decide what sanctions to apply to subrecipients who have significant or repeated monitoring findings, or who do not comply with the CSBG grant requirements.
- The performance information submitted by CSBG subrecipients is not verified by Community Services staff. As a result, 3 of the Department's key performance measures may not be correct. In addition, this information is used to calculate annual performance awards paid to subrecipients. Since 1995, $2.3 million has been paid to subrecipients in the form of performance awards.
- Federal law requires ESGP applicants to certify that they will comply with specific rules such as obligating the funds within 180 days of the contract start date. There are some additional certifications required by federal law that need to be incorporated into the ESGP application process. In addition, there are several Texas Administrative Code requirements that should be included in the monitoring instruments for ESGP to ensure that subrecipients are in compliance with these requirements.
- Follow-up work was performed on thirteen prior audit issues related to Community Services. Of these issues, twelve (92%) were implemented and will be closed. One issue was not implemented and will be re-opened as a new finding for both CSBG and ESGP. See Appendix C for a list of these issues and their status.

We made the following recommendations:

- The salaries of the program officers and the trainer should be allocated between administrative funds and other funds proportional to the amount of time spent on these activities, or the training and technical assistance duties should be separated from monitoring and not charged to administration. An alternative solution is for the Department to seek a Board approved change to the Texas Administrative Code to include training and technical assistance as allowable activities.
- The Department should find an alternate fund to which staff can charge the work performed on the Consolidated Plan.
- The Department should seek guidance from the U.S. Department of Health and Human Services regarding whether administrative funds should be liquidated within the two-year period. In addition, the Department should consider whether it is retaining excessive administrative funds, and if so, consider re-allocating any un-liquidated funds to subrecipients for use in serving clients.
- Community Services management should provide program officers with a guide for the designation and disposition of common monitoring issues to generate more consistent reporting of monitoring findings.

- Community Services staff should ensure that CSBG subrecipients do not receive more than a 30-day supply of funds by reviewing the prior month's advances for specific line items and comparing them against the actual expenditures reported by line item.
- Program officers should increase the level of review over subrecipients' financial information by obtaining and reviewing a copy of the most recent audited annual financial report and any associated management letters prior to conducting a monitoring visit. This information should then be compared to the financial documents reviewed during monitoring. In addition, they should obtain and review a complete general ledger printout for the month(s) reviewed.
- Community Services should define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance.
- When reviewing a sample of client files during monitoring visits, program officers should re-calculate the reported incomes using the supporting documentation in the client file to confirm that clients who were reported as transitioning out of poverty really did so, and that only allowable income is considered.
- All certifications required by federal law should be included in the ESGP application. In addition, all requirements of the Texas Administrative Code should be included in the monitoring instruments and reviewed during on-site monitoring visits.

Management agrees 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

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GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

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Gloria Ray

June 11, 2008

To: The Governing Board and Audit Committee Members of the Texas Department of Housing and Community Affairs

Re: Internal Audit Report on the Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grant Programs

The Internal Audit Division has completed its audit of the Community Affairs Division's draw processing and monitoring functions for the Community Services Block Grant (CSBG) and Emergency Shelter Grant (ESGP) programs. The audit focused on the policies and processes used to ensure that payments to subrecipients are supported and allowable and that the programs are adequately monitored to ensure compliance with state and federal laws, and agency rules.

The Department has good controls over the allocation of the federal funds for these two programs between the Department and its subrecipients and also does a good job of ensuring that all subrecipients receive on-site monitoring visits as required. However, the Department should improve the processes used to manage these two programs to ensure that subrecipients are held accountable for the grant funds they receive from the Department and that the programs are administered efficiently. Management has indicated that they generally agree with the findings and will implement the recommendations for improvement.

Sincerely,

Sandra Q. Donoho, MPA, CISA, CIA, CFE
Director of Internal Audit

Assigned to this audit:
Greg Magness, CIA, CGAP
Harriet Fortson, MAcy, CGAP
Colleen Bauer

Encl. (1)

cc: Michael Gerber, Executive Director
Brooke Boston, Deputy Executive Director for Programs
Tom Gouris, Assistant Director for Programs
Amy Oehler, Director of the Community Affairs Division

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Executive Summary

The Department of Housing and Community Affairs (Department) should improve the processes used to manage the Community Services Block Grant (CSBG) Program and the Emergency Shelter Grant Program (ESGP) to ensure that subrecipients are accountable for the grant funds they receive from the Department and that these programs are administered efficiently. In program year 2007, the Department was awarded $30,208,630 for the CSBG and $5,157,329 for the ESGP.

The Community Services Block Grant Program and the Emergency Shelter Grant Program

The Community Services Block Grant (CSBG) Program and the Emergency Shelter Grant Program (ESGP) are both administered by Community Services, which is a subset of the Department's Community Affairs Division. (See the organizational chart in Appendix D.) Both CSBG and ESGP are federally funded grant programs.

- CSBG provides funding for local subrecipients to develop and administer programs to reduce poverty, revitalize low-income communities and empower low income families to become self sufficient.
- ESGP provides funding for the rehabilitation or conversion of buildings for use as emergency shelters for the homeless, and to fund homeless prevention activities.

(For additional information on these programs, see the text box on page 5 for CSBG or the text box on page 27 for ESGP. More detailed background information is also available in Appendix B.)

The Department has good controls over the way in which the federal funds are allocated between the Department and its subrecipients. However, improvements can be made in the use of the funds for specific activities. CSBG funds designated for the Department's administrative expenses are spent on training and technical assistance provided to subrecipients, which is not allowable under the Texas Administrative Code that directs how the CSBG funds should be spent. In addition, ESGP funds designated for the Department's administrative expenses are spent on developing the 5-Year Housing and Urban Development Consolidated Plan which serves as the state's application for federal funds. However, the ESGP grant does not allow these funds to be spent on this activity. Both the CSBG and ESGP grants allow up to 5% of the funds to be used to cover the Department's administrative costs. In 2007, the administrative portion of the grants was $1,510,432 for CSBG and $257,866 for ESGP.

Improvements should also be made to ensure that CSBG administrative funds are spent on a timely basis. At the end of each program year, there is approximately $1 million in available grant funds remaining. As of February 2008, the Department was still spending funds from program year 2006. The guidance on the carryover of administrative funds is unclear and may require the Department to seek clarification from the U.S. Department of Health and Human Services.

The Department does a good job of ensuring that the subrecipients receive on-site monitoring visits as required. However, the processes used to monitor the subrecipients for both programs should be enhanced to ensure that the subrecipients comply with laws and program rules and adhere to the Department's program requirements. There are inconsistencies in the processes used to identify and categorize the monitoring results for both programs. These inconsistencies increase the risk that subrecipients may be not be held accountable and that problems at the subrecipient level may not be identified in time for the Department to intervene and provide assistance.

Other Findings

- The processes used to track and monitor CSBG subrecipients' expenditures needs improvement. Some CSBG subrecipients may be receiving more than a 30-day supply of funding. Program rules and the CSBG contract limit subrecipients to a 30-day supply of operating funds on hand.
- Program officers do not obtain sufficient financial information to evaluate the CSBG subrecipients' financial status. Program officers review financial documentation, but generally have not retained all of the documentation needed to verify assertions about bank account and general ledger fund balances.
- Community Services has not defined the criteria used to decide what sanctions to apply to subrecipients who have significant or repeated monitoring findings, or who do not comply with the CSBG program requirements.
- The performance information submitted by CSBG subrecipients is not verified by Community Services staff. As a result, three of the Department's key performance measures may not be correct. In addition, this information is used to calculate annual performance awards paid to subrecipients. Since 1995, $2.3 million has been paid to subrecipients in the form of performance awards.
- Federal law requires ESGP applicants to certify that they will comply with specific rules such as obligating the funds within 180 days of the contract start date. There are some additional certifications required by federal law that need to be incorporated into the ESGP application process. In addition, there are several Texas Administrative Code requirements that should be included in the monitoring instruments for ESGP to ensure that subrecipients are in compliance with these requirements.
- Follow-up work was performed on thirteen prior audit issues related to Community Services. Of these issues, twelve (92%) were implemented and will be closed. One issue was not implemented and will be re-opened as a new finding for both CSBG and ESGP. See Appendix C for a list of these issues and their status.

Summary of Recommendations

- The salaries of the program officers and the trainer should be allocated between administrative funds and other funds proportional to the amount of time spent on these activities, or the training and technical assistance duties should be separated from monitoring and not charged to administration. An alternative solution is for the Department to seek a Board-approved change to the Texas Administrative Code to include training and technical assistance as allowable activities.

- The Department should find an alternate fund to which staff can charge the work performed on the 5 Year Housing and Urban Development Consolidated Plan.
- The Department should seek guidance from the U.S. Department of Health and Human Services regarding whether administrative funds should be liquidated within the two-year period. In addition, the Department should consider whether it is retaining administrative funds, and if so, consider re-allocating any un-liquidated funds to subrecipients for use in serving clients.
- Community Services management should provide program officers with a guide for the designation and disposition of common monitoring issues to generate more consistent reporting of monitoring findings.
- Community Services staff should ensure that CSBG subrecipients do not receive more than a 30-day supply of funds by reviewing the prior month's advances for specific line items and comparing them against the actual expenditures reported by line item.
- Program officers should increase the level of review over subrecipients' financial information by obtaining and reviewing a copy of the most recent audited annual financial report and any associated management letters prior to conducting a monitoring visit. This information should then be compared to the financial documents reviewed during monitoring. In addition, they should obtain and review a complete general ledger printout for the month(s) reviewed.
- Community Services should define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance.
- When reviewing a sample of client files during monitoring visits, program officers should re-calculate the reported incomes using the supporting documentation in the client file to confirm that clients who were reported as transitioned out of poverty really did so, and that only allowable income is considered.
- All certifications required by federal law should be included in the ESGP application. In addition, all requirements of the Texas Administrative Code should be included in the monitoring instruments and reviewed during on-site monitoring visits.

Management's Summary of Their Responses

Management generally concurs with the recommendations in the Internal Audit Report and appreciates the ability to use this audit as a strong foundation for divisional improvements. The existing internal controls, rules in the Texas Administrative Code and contracts in the Community Services Section need to be strengthened, better enforced and applied uniformly.

Department management will be working over the next several months to ensure that all CA programs and subrecipients are fully compliant with federal and state program rules, and to resolve outstanding issues identified in this report.

Table of Contents

Detailed Results – Community Services Block Grant Program

Chapter 1

Community Services Block Grant Funds Should Be Spent Correctly and on a Timely Basis

The Community Services Block Grant Act (CSBG act), which is the federal statute governing the Community Services Block Grant (CSBG) funds, requires that the funds allocated to the Department of Housing and Community Affairs (Department) be used as specified. For example, the CSBG act specifies that 90% of the funding must be allocated to subrecipients who provide services to clients and that up to 5% can be used for the Department's administrative costs. The remaining 5% is reserved for special projects, disaster relief and other specific functions (see Appendix B, page 46.) The CSBG act also specifies what activities are allowable or unallowable and the period in which the funds must be used. Community Services, which is part of the Community Affairs Division, administers the CSBG Program in addition to the Emergency Shelter Grant Program (See Chapter 5 for more information on the ESGP and Appendix D for Community Affairs' organizational chart.)

The Department has good controls over the allocation of the required percentage of funds between the subrecipients and the Department's administrative costs, but improvements should be made in the expenditures that are charged to administrative funds and the timeframe in which the funds are used.

The Community Services Block Grant Program

The Community Services Block Grant (CSBG) is a federal grant administered by the Community Affairs Division of the Department of Housing and Community Affairs (Department.)

The CSBG program has been in place in various forms since 1964. (See Appendix B for additional background information.) In program year 2007, $30,208,630 in CSBG funds were awarded to the Department.

CSBG funds are used to assist states and local communities, by working through a network of community action agencies and other neighborhood-based organizations, in the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

In program year 2007, the Department distributed funding to fifty-three subrecipients who provide programs at the local level. These subrecipients served 481,598 clients. Programs provided by the subrecipients include programs to promote self-sufficiency, secure and retain employment, attain education, maximize the use of income, obtain and maintain housing, obtain emergency assistance, and to increase participation in the affairs of the community. In addition, the Department also funds special projects such as training and technical assistance, coordinating programs and program support.

Currently, funds for administrative costs are spent on the salaries of the Community Services staff that manage, support and monitor the CSBG program, as well as other costs such as a portion of operating costs (office space, telephones and travel expenses), and capital expenditures (furnishings and equipment.) These costs are all allowable under the CSBG act. However, the Texas Administrative Code, which is the set of program rules approved by the Department's governing board, does not allow training and technical assistance to be paid for using administrative funds. The program officers who are responsible for monitoring the subrecipients also provide technical assistance to the subrecipients. In addition, the Division has a full time trainer. The program officers and the trainer charge their time to the grant code designated for CSBG administrative funds, which does not comply with the Texas Administrative Code requirements.

In addition, the requirements for spending CSBG funds do not make it clear if the administrative funds must be spent within a two year period as is required for the 90% of the grant funds that are allocated to the subrecipients. The Department has carried over administrative funds from year to year, and normally has approximately $1 million in administrative funds remaining at the end of each program year. In February 2008, the Department was still spending funds from the program year 2006 grant.

Chapter 1-A

The Texas Administrative Code Does Not Allow Expenditures for Technical Assistance to be Charged Against Administrative Funds

Community Services has program officers that monitor the subrecipients. These program officers conduct on-site monitoring visits as well as provide technical assistance to the subrecipients. In addition, the Division also has a trainer that provides assistance and training to subrecipients. The program officers' and the trainer's salaries are all charged to the 5% of the grant set aside for administrative costs. However, the Texas Administrative Code (10 TAC Part 1, Chapter 5 A, 5.6(d)) states:

> "Five percent (5%) of the Department's annual CSBG allocation is used to cover state administrative costs including salary and benefits for state CSBG staff, indirect costs, a portion of operating costs (space, telephone, staff travel, etc.), and capital expenditures (furnishings, equipment, etc.)."

Technical assistance and training are not included in the allowable activities under this rule.

Recommendation

The salaries of the program officers and the trainer should be allocated between the CSBG administrative funds and other funds proportional to the amount of time spent on training and technical assistance, or the training and technical assistance duties should be separated from the monitoring function and not charged to administration. An alternative solution is for the Department to seek a Board-approved change to the Texas Administrative Code to include training and technical assistance as allowable activities.

Management Response

Management acknowledges the need to separate staff time for training and technical assistance from monitoring and other administrative activities to provide better oversight of these separate processes. Management will work with the Financial Administration Division to ensure that time for training and technical assistance activities are accounted for separately and fully.

The Department believed that the cost of salaries for staff that provided training and technical assistance was an appropriate and eligible use of the CSBG administrative funds and the U. S. Department of Health and Human Services concurs with this interpretation. Staff will propose a change to the section of the rule in the Texas Administrative Code that references allowable activities for use of CSBG administrative funds, to specify that staff time spent providing training and technical assistance are included as allowable activities and recommend that the total administrative costs including training and technical assistance be limited to not more than five percent of the annual grant allocation.

Implementation Date: TDHCA Board Meeting June 26, 2008 (proposed rule change)
TDHCA Board Meeting July 21, 2008 (possible adoption)

Staff Responsible: CA Director, Financial Administration Director and CS Manager

Chapter 1-B

The Department Should Seek Guidance on the Requirements for the Timely Expenditure of Administrative Funds

The Department's Financial Administration Division does a good job of ensuring that the 5% limit on administrative funds is not exceeded; however, these funds are not expended on a timely basis. After the Department receives an award letter for the CSBG grant, they calculate the 5% that can be used for administrative purposes under the grant rules and these funds are tracked separately in order to ensure that the Department does not exceed the 5% limit. In program year 2007, the Department's 5% limit for administrative funds was $1,510,432.

As of February 2008, the Department is still using administrative funds received for program year 2006 and has not yet expended any administrative funds for program year 2007. The CSBG act, Sec. 675(C)(a)(2) states that, "Funds distributed to eligible entities...shall be available during that fiscal year and the succeeding fiscal year." However, administrative funds retained by the state are dealt with in a separate provision, (SEC. 675(C)(b)(2)), that does not have a similar 2-year obligation limit. The 2007 Notice of Grant Award Letter implies that the 2-year limit also applies to the Department's administrative portion of the grant. It states that, "If the grantee is on an accrual accounting system, services must be provided on or before September 30, 2008 and liquidated on or before December 29, 2008." An analysis of the CSBG administrative funds shows that there is approximately $1 million left over at the end of each program year. (see Figure 1)

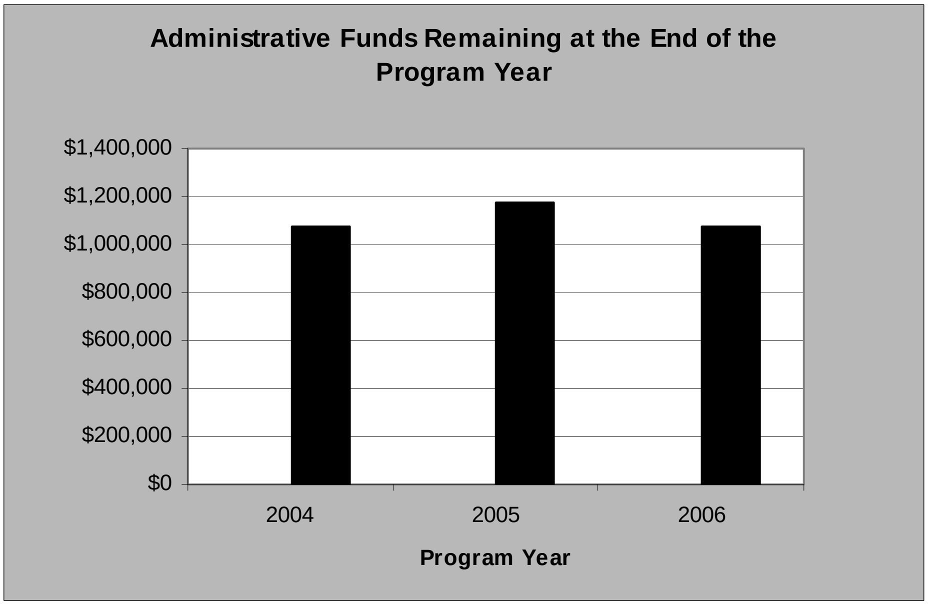


Figure 1

Recommendation

The Department should seek guidance from the U.S. Department of Health and Human Services regarding whether administrative funds should be liquidated within the two-year period. In addition, the Department should consider whether it is retaining administrative funds, and if so, consider re-allocating any un-liquidated funds to subrecipients for use in serving clients.

Management Response

The Department will seek guidance from the U.S. Department of Health and Human Services to determine if the two-year time limit applies to State CSBG administrative funds and to confirm if any of the unspent administrative funds can be allocated for activities other than administrative costs, such as services for clients. Based on the guidance received from USHHS, the CA Director will work with the Executive Director and the Financial Administration Director to develop a plan to expend the unspent funds.

Implementation Date: September 2008

Staff Responsible: Executive Director, CA Director and Financial Administration Director

Chapter 2

The Process for Tracking and Monitoring Subrecipients' Expenditures Needs Improvement

The CSBG subrecipients sign an annual contract with the Department and submit a Community Action Plan (CAP Plan) that describes the programs and services they will offer as well as the performance targets they are trying to meet. (For more information on performance targets, see Chapter 4.) The subrecipients also develop and submit an operating budget for the program year. However, Community Services does not compare the subrecipients' budget to their actual expenditures. The automated contract system used to track the subrecipient's monthly expenditure reports does not contain budget information, nor does it calculate the percent of budget expended. This makes it harder for the contract specialist who reviews the subrecipients' monthly expenditures to determine how the subrecipients are spending the funds allocated to them and to determine if the amounts of the subrecipients' funding requests are reasonable.

The CSBG program rules stipulate that the subrecipients have on hand no more than a 30-day supply of funds. The automated contract system is used to track the projected expenditures for the next month, the prior month's expenditures and cumulative expenditures. The contract system uses this information to calculate cash on hand. However, from our review of a sample of seven expenditure reports, and a sample of five monitoring files that contain information on subrecipient's bank accounts, it appears that some subrecipients may be receiving or retaining more than a 30-day supply of funds.

Chapter 2-A

The Contract System Should Track Budget Information for Subrecipients

The budgets that subrecipients submit at the beginning of the program year are not included in the automated contract system used to track the subrecipients' expenditure reports. In addition, the percentage of actual funds expended is not calculated and compared to the budget. This causes a problem because once a budget is approved, subrecipients can spend money from any budgeted line item as long as they do not exceed the total amount they were awarded. As a result, there is less accountability for the accuracy of budget projections and for actual expenditures compared to budgeted amounts. In addition, the "other" category of expenses includes direct services and many other types of expenses that should be further separated into line items. The purpose of comparing budgeted amounts to actual expenditures is to help program staff assess the ongoing status of the subrecipient contracts, not to identify unallowable expenditures. The Community Affairs Division's Comprehensive Energy Assistance Program utilizes an expenditure report that includes budget information.

Recommendations

- Budgets should be entered into the contract system at the budget line item level in order to ensure that subrecipients are not exceeding their approved budget amounts for any of the budgeted line items.

- The percentage of actual funds expended should be calculated in the contract system and compared to the budgeted amount for each line item.
- Line items should be created to address the most common expenditures now included in the "other" category.

Management Response

Management agrees that the existing system and processes used to monitor CSBG expenditures needs to be altered to address these recommendations. It is important to note that the Department has limited ability to disapprove CSBG expenditures or deny requests to modify the CSBG budget if the activities are defined as allowable in the CSBG Act.

Staff will expand the existing monitoring instrument to address this concern and provide training and technical assistance to subrecipients regarding budget preparation for those subrecipients that repeatedly change the CSBG budget.

Implementation Date: October 1, 2008

Staff Responsible: CS Manager and CS Project Managers

Chapter 2-B

Community Services Staff Should Ensure Subrecipients Do Not Receive More Than a 30-day Supply of Funds

The expenditure reports in the contract system track projected expenditures for the next month, the prior month's expenditures and the cumulative expenditures of each subrecipient. The contract system uses this information to calculate the subrecipients' cash on hand. However, from our review of a sample of seven expenditure reports and five monitoring files which contain information on subrecipients' bank accounts, it appears that some subrecipients are receiving or retaining more than a 30-day supply of funds. The State of Texas Plan and Consolidated Application and the CSBG contract limit subrecipients to a 30-day supply of cash on hand. The contract specialist is responsible for reviewing the monthly expenditure reports and alerting the program officers if a subrecipient appears to have requested more than a 30-day supply of cash. However, as long as the funds requested do not exceed 1/12 of the total annual allocation, funding requests are approved. As a result, subrecipients may be able to maintain higher balances of cash on hand. This increases the risk that the excess cash could be converted to non-CSBG uses.

Recommendations

- During the monthly review of expenditure reports, Community Services staff should review the prior month's advances for specific line items and compare them against the actual expenditures reported by line item to ensure that the most recent funding request is reasonable.

- The funding requests should be compared to the budget to determine a percentage of the total budget and to determine the reasonableness of the request.

Management Response

Procedures will be instituted to thoroughly ensure that funding requests are reasonable as noted in the recommendation, and controls put in place to be sure that the procedures are followed. Staff will provide training and technical assistance to subrecipient staff, as needed, to improve the process to project expenditures and request advance payment.

Implementation Date: October, 2008

Staff Responsible: CS Manager and CS Project Managers

Chapter 3

Improvements Can Be Made in the Monitoring Processes for the Community Services Block Grant Program to Increase Subrecipient Accountability

Community Services does a good job of ensuring that all CSBG subrecipients receive an on-site monitoring visit at least once every three years as required. However, improvements are needed in the monitoring processes to ensure that subrecipients spend CSBG grant funds appropriately. There are inconsistencies in the way in which issues identified during on-site monitoring visits are classified and resolved. In addition, the program officers who are responsible for monitoring the subrecipients should request and retain additional detailed financial information in order to develop a complete picture of the subrecipients' use of funds.

When a subrecipient fails to submit required documentation, has financial problems, serious findings, or repeated monitoring findings, Community Services has the option of putting the subrecipient on cost reimbursement. However, there are no clear standards or policies for determining the circumstances in which cost reimbursement should be imposed. This can lead to a lack of consistency in the oversight of subrecipients and increase the possibility that a subrecipient's problems could be overlooked.

Other issues that should be addressed include completing monitoring reports on a timely basis, and ensuring that all program and expenditure requirements are reviewed during monitoring visits. The monitoring tracking system used to track the number, type, and status of findings reported as a result of on-site monitoring visits should be improved, as well as the process used to assess risk and determine the priority in which subrecipients are monitored.

Chapter 3-A

Inconsistencies in the Disposition of Monitoring Issues Should Be Addressed

We reviewed the monitoring files for fiscal years 2006 and 2007 for a sample of five subrecipients and found that there were inconsistencies in how errors were identified and categorized by the program officers who monitor the subrecipients. The program officers document the issues they identify during on-site monitoring visits in one of three ways: findings, recommendations or notes. Findings identify actions that do not comply with grant requirements and must be addressed by the subrecipient and resolved to the satisfaction of Community Services. Recommendations are preferences suggested by Community Services, but do not necessarily require a change in the subrecipient's procedures. Notes are used to document a condition, but do not include a recommendation for resolution.

There are inconsistencies in the assignment of the status of findings, recommendations or notes. For example, the CSBG does not allow the payment of late fees using grant funds. For one subrecipient we reviewed, the payment of late fees was reported as a finding. For another subrecipient, it was not reported at all. Prior findings identified during a previous on-site monitoring visit that were still outstanding during the next on-site monitoring visit were reported as a finding for one subrecipient, and as a note for another.

Recommendation

Community Services management should provide program officers with a guide for the designation and disposition of common issues to generate more consistent reporting.

Management Response

Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book for monitoring that outlines standard language for most commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding of the Monitoring Guide Book. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book.

Implementation Date: August 15, 2008

Staff Responsible: CS Manager and Project Manager for Monitoring

Chapter 3-B

The Review of Subrecipient Financial Information Should Be Improved

The program officers who monitor the subrecipients for compliance review some financial information, but the information they gather, review and retain is not sufficient to formulate a complete picture of the subrecipient's financial condition. Subrecipients who receive in excess of $500,000 in annual grant funding are required to submit an audited annual financial report (AFR) to the Department no later than nine months after the end of their fiscal year. The AFR also includes opinions rendered on the major programs and the internal controls, as well as a schedule of expenditures of federal awards to comply with the Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement. The AFRs are reviewed by the Department's Portfolio Management and Compliance Division (PMC), but the program officers do not compare the financial information in the AFRs to the other financial documents gathered during monitoring.

In at least one case, we noted that a subrecipient's annual audit resulted in a separate management letter addressing potential problems with the subrecipient's financial operations. This management letter provided important information that should have been used in the monitoring process, but the management letter was not obtained on a timely basis and may not have been reviewed by the program officer. Not obtaining and reviewing all of the results of the AFR increases the likelihood that fraud, waste or abuse could go undetected.

Program officers review financial documentation, but generally have not retained all of the documentation needed to verify assertions about bank account and general ledger fund balances. For example, the program officer may collect data on the income statement accounts (revenue and expenditures.) They may also review bank account data (bank statement, bank reconciliation, and accounting records such as the general ledger detail of the bank account activity.) However, the documents copied and retained are often missing one or more of these. If bank reconciliations are not completed timely or are not available during the on-site monitoring visit, the request for "the most recent" bank reconciliation will not tie to the data already collected, and is not of any significant value.

Recommendations

- Subrecipients should be required to submit to the Department any management letters resulting from their AFR audit when submitting the AFR.
- Program officers should obtain and review a copy of the most recent audited AFR and any associated management letters prior to conducting an on-site monitoring visit. This information should then be compared to the financial documents reviewed during monitoring.
- A complete general ledger printout for the month(s) reviewed (including the asset, liabilities and equity accounts in addition to revenue and expenditures) should be obtained along with the banking account data. This document would allow the program officer to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any inter-fund activity occurred. Any general journal adjustments to the accounts would be easily identified.

Management Response

The Community Services Block Grant (CSBG) and Emergency Shelter Grants Program (ESGP) Monitoring Standard Operating Procedures will be revised to require that Program Officers obtain a copy of the latest Audited Financial Report (AFR) and any related management letter on file within the Portfolio Management and Compliance Division (PMC). The CA Director will recommend updates to the CSBG and ESGP rules and contracts during the next rules and contract cycle to specify the requirement of submission of the AFR and management letters to CA in addition to PMC. The Program Officer will review the AFR and management letter to determine if follow up is needed. Processes will also be changed regarding review of general ledgers and banking account data to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any inter-fund activity occurred. Staff will be trained in this area.

Implementation Date:	*September 1, 2008*	*Revision to Standard Operating Procedures*
	September 1, 2008	*ESGP contract update*
	January 1, 2009	*CSBG contract update*

Staff Responsible: CA Director, CS Manager and CS Project Managers

Chapter 3-C

Criteria for Cost Reimbursement Should Be Identified

Community Services has not defined the criteria used to decide what sanctions to apply to subrecipients who have significant or repeated monitoring findings, or who do not comply with the CSBG grant requirements. An example of non-compliance is the failure to submit an audited AFR as required. The most significant sanction available to CSBG program staff is to place a subrecipient on cost reimbursement. This means that instead of receiving their grant funds in advance, the subrecipients placed on cost reimbursement must submit their receipts, invoices and check stubs for actual expenses in order to be reimbursed by the Department with CSBG funds. Without clear criteria for cost reimbursement or other sanctions, the Department could be left open to allegations of favoritism, inequities, or discrimination.

Recommendations

Community Services should define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance. The following issues should be included:

- Fiscal mismanagement, fraud, waste and abuse,
- Repeated findings from previous monitoring reports that show a pattern of non-compliance (special attention should be paid to repeat financial findings),
- Issues with the composition of the subrecipient's governing board, including issues concerning board member attendance and representation, and general management failures, and
- Unresolved findings outstanding for a given period of time. For example, findings that are not resolved within a designated period of time should immediately prompt a decision regarding sanctions.

Management Response

The existing Sanctions Standard Operating Procedure will be revised to define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance and how and when the sanctions will be applied.

Implementation Date: November 1, 2008

Staff Responsible: CA Director, CS Manager and CS Project Managers

Chapter 3-D

Monitoring Reports Need to Be Completed on a Timely Basis

Community Services' monitoring policies and procedures require that subrecipients receive a written monitoring report within 30 days for CSBG on-site monitoring visits or within 45 days for joint CSBG and Comprehensive Energy Assistance Program (CEAP) on-site monitoring visits. For the 31 on-site monitoring visits performed in fiscal year 2007, 18 reports (58%) were not sent out within the required timelines. The subrecipients are required to respond to the monitoring findings within 30 days, or 45 days for joint monitoring visits. If additional responses are needed, the subrecipient has 15 days to submit their follow-up responses. However, these responses are often not received for months.

For the 31 on-site monitoring visits performed in fiscal year 2007:

- One notification letter was not sent to the subrecipient, and 11 of the 31 required notification letters were sent late (35%) and did not provide the suggested 30 days notice prior to a monitoring visit;
- Review of the report was not documented on a review coordination sheet for five of the 31 visits (16%); and
- Twelve of the 31 reports (39%) were not sent to the subrecipients' governing boards as required.

Recommendation

Community Services' policies and procedures should be reviewed, revised and followed to ensure that monitoring reports are timely, are reviewed internally and are communicated to the subrecipients' governing boards as required.

Management Response

Management will review and revise the Monitoring Standard Operating Procedure to more thoroughly address the recommendations in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. Consistency between policies will be improved and controls will be put in place to ensure these processes are followed. Additionally, the existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.

Implementation Date: September 2008

Staff Responsible: CA Director, CS Manager and CS Project Manager for Monitoring

Chapter 3-E

All Program and Expenditure Requirements Need to Be Reviewed During Monitoring Visits

Generally, all program and expenditure requirements are considered during on-site monitoring visits. However, we compared the contract, rules, grant requirements and monitoring instruments used by the program officers during on-site monitoring visits and noted the following issues:

- One of the questions on the monitoring instrument, "Does the subrecipient maintain procedures which conform to the uniform administrative requirements?" has "not applicable" for the CSBG program. However, the CSBG contract states, "Except as expressly modified by law or the terms of this contract, subrecipient shall comply with the cost principles and uniform administrative requirements set forth in the Uniform Grant Management Standards, 1 T.A.C. Sec. 5.141 et seq."
- The monitoring instrument does not prompt program officers to ensure that the expenditures submitted by subrecipients as support for costs are expenditures that were incurred during the contract period. Section 4 of the contract states that the "Department is not liable to Subrecipient for any cost incurred by Subrecipient which is not incurred during the Contract period."
- A review is not performed to determine if the subrecipient's board-approved travel policies were provided to Community Services prior to the subrecipient incurring travel costs.
- Program officers do not review to ensure that the programs and services listed in the subrecipients' CAP plan are actually provided.
- There is no standard form for the program officers to use in documenting the results of their expenditure review.

Recommendations

- Program officers should review programs and expenditures during on-site monitoring visits to ensure that subrecipients are complying with the Uniform Grant Management Standards, costs are incurred during the contract period, and subrecipients are providing the programs detailed in their CAP plan.
- The program officers should ensure that subrecipient's board-approved travel policies are provided to Community Services prior to incurring any travel costs.
- A standard form should be developed to document the results of the expenditure review.

Management Response

Management acknowledges inconsistencies in the CSBG and ESGP contracts and the corresponding monitoring instruments. The current contracts reference the Uniform Grant Management Standards (UGMS) and the Office of Management and Budget (OMB) Circulars and the monitoring instruments only reference the OMB Circulars. Management will update the contracts and monitoring instruments to include references to UGMS and the OMB Circulars.

The Department will continue to review the monitoring instrument and consider strengthening the review process. The monitoring instrument will be revised to indicate that expenditures reviewed are within the contract period and other changes to the instrument made so that wording of questions better addresses risks and that appropriate *follow up occurs for questions. Staff will be trained on the instrument and its changes. Further, controls will be put in place to ensure the monitoring tool is being properly completed (i.e. peer reviews or similar solution.)*

Management will request a board-approved travel policy from each CSBG subrecipient to maintain in an electronic file at the Department. If a subrecipient changes their travel policy, the subrecipient will be required to submit a new policy to the Department.

A standard form, or similar effective tool, will be developed to document the results of the expenditure review.

Implementation Date:	*September 1, 2008*	*Revision of monitoring instruments*
	September 1, 2008	*ESGP contract update*
	January 1, 2009	*CSBG contract update*

Staff Responsible: *CS Manager and CS Project Manager for Monitoring*

Chapter 3-F

The Monitoring Tracking System and the Risk Assessment Process Should be Updated and Improved

All subrecipients are required to have an on-site monitoring visit at least once every three years, and Community Services does a good job of ensuring that these reviews take place. Community Services uses a risk assessment process to determine which subrecipients to monitor each year. They use the Department's standard risk assessment module and rely on an automated monitoring tracking system to track the number, type, and status of findings reported as a result of on-site monitoring visits. The information from the monitoring tracking system is used to complete the risk assessment module. However, the monitoring tracking system is not being kept up to date. As a result, the system can not be relied upon in completing the risk assessment process, and staff must manually go through monitoring reports to determine the information they need for the risk assessment. In addition, the risk assessment does not capture all of the information needed to accurately determine risk.

In comparing the information contained in the monitoring tracking system to the information gathered from manually reviewing monitoring reports and responses, of the 65 on-site monitoring visits performed over the past two years:

- The information contained in the system matches the information in monitoring reports and responses for 16 visits (24.6%),
- The information contained in the system is incomplete when compared to the monitoring reports and responses for 34 visits (52.3%)and inaccurate for one visit, and
- There is no record of 14 monitoring visits (21.5%) in the monitoring tracking system.

Of the 453 questions answered in the 2006 risk assessment, 83 questions (19.6%) were answered incorrectly or not at all. In addition, the possible answers to the risk assessment questions do not provide an accurate assessment of which subrecipients pose the highest risk. For example:

- A subrecipient with one previous monitoring finding currently receives the same ranking as a subrecipient with multiple findings on a previous monitoring report.
- A subrecipient that has never been monitored is currently ranked higher for the question 'time since last on-site visit', but is rewarded by receiving no points for the questions 'results of last on-site visit' and 'status of most recent monitoring report.'
- A subrecipient can be delinquent in providing their audited annual financial report to the Department for multiple months, but if they are in compliance on the day the risk assessment is completed, they are ranked the same as an entity who was in full compliance with the audit requirement throughout the year.

Recommendations

Community Services should:

- Revisit the use of the monitoring tracking system for tracking the findings resulting from on-site monitoring visits. This should be done before additional resources are spent in improving or maintaining the current system. If the monitoring tracking system is used, Community Services should develop processes to ensure that data entered into the system is complete and is periodically compared to the data in the monitoring files,
- Develop a process or a database that will track the data used in the Department's risk assessment module, and
- Further develop answers to the questions in the risk assessment in order to produce a more accurate risk ranking of the subrecipients.

Management's Response

The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member, who is not required to travel, will be designated to maintain the monitoring tracking system.

Implementation Date: October 2008

The existing monitoring tracking system tracks data used in the Department's Risk Assessment Module. Management will ensure that data is entered in a timely manner.

Implementation Date: August 1, 2008

Prior to the 2008 Risk Assessment, questions and weights were revised to reflect a more accurate risk ranking of the subrecipients. The Risk Assessment will continue to be evaluated and improved.

Implementation Date: Completed

Staff Responsible: CA Director, CS Manager and IS Director

Chapter 4

Subrecipient Performance Should Be Verified

There are several methods used by the Department to track the performance of the community action agencies and local governments who are the Department's CSBG subrecipients. The CSBG State of Texas Plan and Consolidated Application requires the subrecipients to develop performance statements that identify the services, programs and activities provided. These performance statements are used as performance targets. Subrecipients are required to report their monthly performance to the Department on the Monthly Funding Financial Performance Report (MFFPR.) This information is rolled up into the statewide performance results reported to the National Association of State Community Services Programs (NASCSP) as part of the U.S. Department of Health and Human Services' Results Oriented Management and Accountability (ROMA) system.

There are twelve performance indicators for the ROMA system and four of these require performance targets to be set. Some of these performance indicators are also used for the Department's performance measures that are reported to the Legislative Budget Board (LBB) and used for budgeting purposes. There are nine LBB performance measures for the Community Services Section.

The program officers who monitor the subrecipients do not verify the underlying documentation submitted by the subrecipients as support for their performance results. For example, the number of clients transitioned out of poverty is an important measure used by both the ROMA system and the LBB performance measures. However, the program officers merely verify the count of the number of clients transitioned out of poverty; they do not review the client files to re-calculate the clients' income and verify that they really were transitioned out of poverty. As a result, three of the four key performance measures for Community Services' programs may not be correct because they are based on the subrecipients' self-reporting of the number of individuals transitioned out of poverty.

The number of individuals transitioned out of poverty is also used to calculate annual monetary performance awards that are given to subrecipients each year. We requested the supporting documentation for a sample of 30 families who were reported to have transitioned out of poverty in program year 2006. The documentation submitted for eighteen of these 30 families (60%) did not contain sufficient information to support the family's transition out of poverty. In addition, twelve of the twenty-eight subrecipients who received performance awards in August 2007 did not meet the criteria to receive the awards. The 2007 performance awards given to the twenty-eight subrecipients totaled $164,000. Since 1995, $2.3 million in discretionary funds has been distributed to subrecipients in the form of performance awards. (See Figure 2)

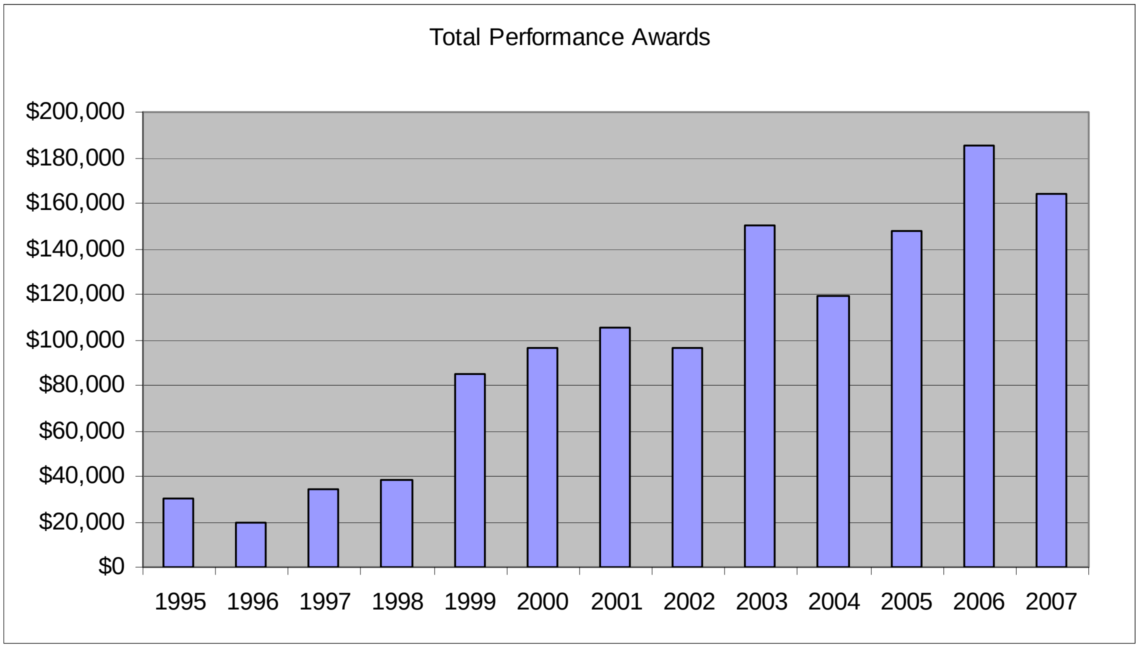


Figure 2

Of the $2.3 million in performance awards distributed since 1995, $706,355 (55.5%) went to the top ten subrecipients and $311,273 (24.5% of the total) went to the top two subrecipients. (See Figure 3)

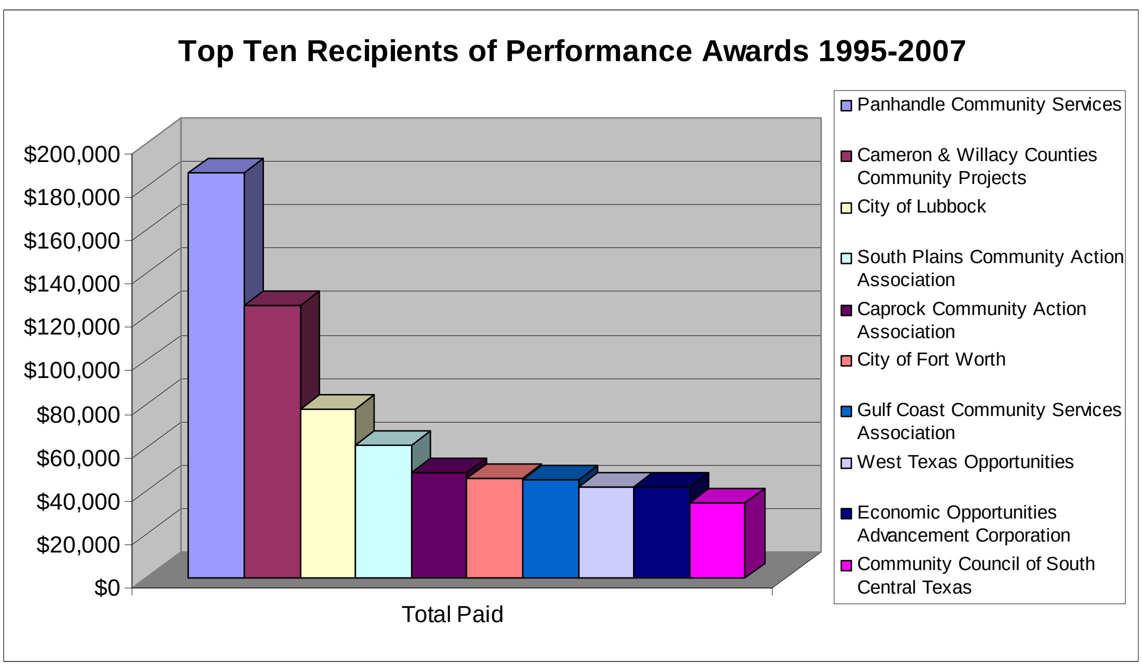


Figure 3

Chapter 4-A

Community Services Should Review Underlying Data to Ensure That Performance Measures are Correct

Program officers are not required to review the supporting documentation (or even the supporting documentation for a sample of clients) to ensure that the subrecipients are correctly reporting the number of individuals transitioning out of poverty. This number is defined as the number of individuals achieving incomes above 125% of the poverty level. Four out of the nine LBB performance measures for Community Services use this data in their calculations and of these four, three are key measures for the Department.

The number of individuals transitioning out of poverty is important because it is used as part of both the ROMA and the LBB performance measures, and is used to determine the amount of discretionary funds paid to subrecipients in the form of performance awards. (see Chapter 4-B) The definitions and methods of calculation for this measure do not require the Department to verify the data submitted by the subrecipients; however, the LBB's performance measures guidance requires the Department to have sufficient controls in place to ensure the accuracy of the data. Without the control of testing or verifying at least a sample of the underlying data, it is not possible for the Department to ensure that the data is accurate.

Recommendations

- When reviewing a sample of client files during monitoring visits, program officers should re-calculate the reported incomes using the supporting documentation in the client file to confirm that clients who were reported as transitioning out of poverty really did so, and that only allowable income is considered.
- Community Services should develop and enforce a standard methodology for calculating income to ensure consistent and comparable results.

Management Response

The current process will be reviewed by Management and the Community Services Block Grant monitoring instrument will be revised to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients.

Implementation Date: October 1, 2008

Staff Responsible: CS Manager and CS Project Managers

Chapter 4-B

Information Submitted by Subrecipients in Support of Performance Awards Should be Tested for Accuracy

In August of 2007, twenty-eight subrecipients received a total of $164,000 in performance awards for individuals transitioned out of poverty during the 2006 program year. Analysis of a judgmental sample of 30 families transitioned out of poverty showed that 18 (60%) of the 30 families' files tested did not contain sufficient correct documentation to support the assertion that these families were transitioned out of poverty. Subrecipients are required to submit a list of the families that they transition out of poverty as support for their performance award; however these lists do not contain details such as full names and social security numbers. Community Services staff verify that the listed incomes are within the poverty level guidelines and that the dates listed support the assertion that the families' income was above 125% of the poverty level for at least 90 days. The analysis of the 30 families' documentation showed errors including:

- Math errors
- Considering partial paychecks at intake and full paychecks in determining that the family was out of poverty,
- Overtime not included when determining the family was in poverty but including overtime in order to determine that the family was out of poverty, and
- Not including a spouse's income to determine the family was in poverty, then including the spouse's income to determine that the family was out of poverty.

In addition, there were three families who were transitioned out of poverty, but the wage earners in these families were the subrecipient's own employees. Although not against the rules, this practice is questionable when used as support for a performance award.

Recommendations

If the Department provides monetary awards to subrecipients for transitioning clients out of poverty, Community Services staff should:

- Select a random sample from the list of clients submitted to support the number of clients transitioning out of poverty,
- Request the supporting documentation (income verification) for the selected clients at all points: intake, transitioned out of poverty and 90 days post transition,
- Require subrecipients to provide full names and social security numbers (if available) for each family member transitioned out of poverty and verify that these social security numbers are valid,
- Develop standardized rules that will eliminate any "easy fixes" such as considering a partial paycheck for intake and a full paycheck for out of poverty, or considering overtime for out of poverty calculations, and
- Revise the eligibility criteria in order to prevent subrecipients from receiving an award for their own employees.

Management Response

To the degree that Performance Awards are utilized, and that transitioning people out of poverty is the measurement used to grant performance awards, staff will recommend that the Texas Administrative Code be revised to include a standard methodology for calculating income to ensure consistent and comparable results. Prior to conferring CSBG performance awards, the Department will select a random sample of client files to verify the accuracy of the data used for granting performance awards. Staff will provide clarification to subrecipients on the criteria that need to be met to report a client as *transitioned out of poverty. The Department will require that the subrecipient's executive director and/or program director certify in writing that the clients were transitioned out of poverty as reported. Staff will revise the eligibility criteria for CSBG performance awards to exclude clients who were hired by the subrecipient and consequently transitioned out of poverty.*

Implementation Date: TDHCA Board Meeting September 4, 2008 (proposed rule change)
TDHCA Board Meeting November 13, 2008 (possible adoption)

Staff Responsible: CS Manager and CS Project Managers

Staff will research a reasonable procedure by which subrecipients can verify the validity of social security numbers to the extent they are provided.

Implementation Date: To be determined

Staff Responsible: CS Manager and CS Project Manager for Planning

Chapter 4-C

Performance Awards Should Only Be Given to Subrecipients Who Meet the Eligibility Criteria

In the program year 2006 awards cycle given out in August 2007, there were seven awards totaling $25,000 given to subrecipients that had unresolved audit findings from their most recent on-site monitoring visits. In addition, performance awards totaling $20,000 were given to five subrecipients that were delinquent in submitting their audited annual financial report at the time of the award. These subrecipients were ineligible to receive a performance award under the criteria established by the Department. The $45,000 given out in error represents 27% of the $164,000 in awards given out during the program year 2006 award cycle.

Recommendation

Community Services staff should ensure that all subrecipients who receive a performance award meet the criteria for receiving an award. In addition, the criteria should be amended to prohibit any subrecipient from receiving an award if they were delinquent in meeting their single audit requirements at any time during the year, not just at the time of the performance awards.

Management Response

To the extent that CSBG Performance Awards are utilized and that transitioning people out of poverty is the measurement used to grant performance awards, the Department will provide clarification to subrecipients on the criteria which need to be met in order to qualify to receive a CSBG performance award. Further, the CA Director will require submission of the AFR and management letters to CA in addition to PMC and will *collaborate with PMC in their review to ensure no awards are made to organizations delinquent in their single audit requirements.*

Implementation Date:	*To be determined*	*Performance award criteria*
	September 1, 2008	*ESGP contract update*
	January 1, 2009	*CSBG contract update*

Staff Responsible: CS Manager and CS Project Managers

Detailed Results – Emergency Shelter Grant Program

Chapter 5

Emergency Shelter Grant Program Funds Should Be Spent Correctly

The Emergency Shelter Grant Program (ESGP) funds are allocated to the Department in February for use in the fiscal year beginning September 1st. Potential subrecipients submit competitive applications for funding and are selected through an application review process. Applicants compete only against other applicants in their region. Those with the highest score are recommended to the Department's governing board, which awards the contracts. The contracts are signed and executed at the start of the fiscal year. The Department is required to obligate at least 95% of these funds for ESGP funded applicants, and may retain 5% for administrative costs. A portion of the administrative funds are shared with units of general local government (cities or counties.)

The ESGP is governed by Title 24 Part 576 and Part 85 of the U.S. Code of Federal Regulations (CFR). The CFR specifies the activities that are allowable and unallowable, as well as provides guidelines for how the grant funds should be distributed. The Department is not complying with the CFR in the use of administrative funds because the ESGP staff, who are paid with ESGP administrative funds, also develop the 5 Year Housing and Urban Development Consolidated Plan (Consolidated Plan.) The Consolidated Plan is the state's application for federal grant funds, and the rules prohibit charging the cost of developing the plan to ESGP administrative funds. In addition, the CFR permit the payment of subrecipients on either an advance or a cost reimbursement basis, but the Department's documentation is inconsistent regarding which payment methodology is used.

The Emergency Shelter Grant Program

The Emergency Shelter Grant Program (ESGP) is a federal grant program established to provide rehabilitation or conversion of buildings for use as emergency shelters for the homeless, for the payment of operating expenses and essential services in connection with emergency shelters for the homeless, and for homeless prevention activities. The program is designed to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness.

The ESGP was originally established by the Homeless Housing Act of 1986 and is administered by the U.S. Department of Housing and Urban Development. (See Appendix B for additional background information.)

The Department received $5,157,329 in ESGP funds for program year 2007. In federal fiscal year 2007, the Department awarded ESGP funds to seventy-eight subrecipients, who served 84,224 clients.

Chapter 5-A

Only Eligible Administrative Costs Should Be Charged to the Emergency Shelter Grant Program

Currently, all work performed by the ESGP staff is charged to the grant. This means that staff is charging the time they work on developing the Consolidated Plan to the ESGP's administrative funds. However, the U.S. Department of Housing and Urban Development (HUD), which administers the ESGP, states that ineligible administration costs include the preparation of the Consolidated Plan and other application submissions. The Consolidated Plan serves as the state's application to the federal Government for ESGP funds. The plan states how the Department will pursue the goals of decent housing, a suitable living environment and expanded economic opportunities for all community development and housing programs.

Recommendation

The Department should find an alternate fund to which staff can charge the work performed on the Consolidated Plan.

Management Response

The Department will utilize an eligible source of funds to develop the Emergency Shelter Grants Program portion of the 5 Year Housing and Urban Development Consolidated Plan, which includes work on the Annual Action Plan and Consolidated Annual Performance Evaluation Report (CAPER). CS staff will allocate time related to the development of the 5 Year HUD Consolidated Plan to an eligible source of funds.

Implementation Date:	*Annual Action Plan*	*June 2008*
	Annual Performance Report	*March 2009*
	USHUD Consolidated Plan	*2010*

Staff Responsible:	*CA Director, Director of Financial Administration and CS Manager*

Chapter 5-B

The Methodology Used for Subrecipient Payments Should Ensure Consistency and Compliance with the Contract

The ESGP contract states that the subrecipient may request advance payment by submitting a properly completed monthly report to the Department. According to the HUD ESGP Program Guide, either cost reimbursement or advance payments can be used, depending on how the funds are handled. The CFR (24 CFR 85.20) states that, "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub grantees must be followed whenever advance payment procedures are used." Program staff state that the program is set up on a cost reimbursement basis and advance payments are not made. However, a review of one subrecipient indicates that they are making cost projections and receiving advance payments.

Recommendation

The Department should review the requirements and benefits of both the advance payment and cost reimbursement methodologies and determine which one to use. The contract and other written guidelines should be revised to ensure consistency with the chosen method.

Management Response

Management will review and ensure that the language in the Emergency Shelter Grants Program (ESGP) contract is consistent with the Housing and Urban Development ESGP Program Guide that allows for either cost reimbursement or an advance method of payment. A set of risk criteria will be established, and the payment method allowed for each subrecipient will be based on the level of risk. Staff will be trained to use the risk criteria to determine the appropriate method of payment for an ESGP subrecipient.

Implementation Date: September 1, 2008

Staff Responsible: CS Manager and CS Project Manager for Planning

Chapter 6

The Process for Monitoring Emergency Shelter Grant Program Subrecipients Should be Improved to Ensure Timeliness and Compliance

The ESGP funds are awarded once a year, and not always to the same subrecipients. Because the list of subrecipients changes each year, Community Services requires that each ESGP subrecipient be monitored once a year. Community Services does a good job of ensuring that all of the ESGP subrecipients are monitored every year. However, improvements need to be made to the processes used to document the results of the monitoring visits made by the program officers as well as the correspondence to and from subrecipients regarding the monitoring reports. Of the 23 monitoring files available for testing, 16 monitoring reports (or 70%) were an average of 12 days late. The monitoring tracking system used to electronically track the monitoring reports was also incomplete.

The program officers use a standard monitoring instrument to ensure that they review all of the required documentation during an on-site monitoring visit. The standard monitoring instrument needs some revisions in order to include all applicable federal and state requirements. For example, the program officers should ensure that subrecipients are complying with the federal rules for salary documentation and for a certain category of client eligibility. In addition, standard forms and procedures should be developed to document the number of shelters, expenditures and client files reviewed by the program officers during on-site monitoring visits and desk reviews.

Chapter 6-A

The Processes Used to Document and Communicate Monitoring Results Should Be Revised

There are inconsistencies in the manner in which program officers determine which issues are identified as findings and reflected in the final monitoring report and which issues are resolved on-site by the program officers via technical assistance and are not reflected in the report. During a review of the monitoring reports and monitoring instruments of multiple subrecipients, the same issue was reported as a finding in one report, while in another report it was documented as a recommended improvement. Recommended improvements do not require the subrecipient to respond to Community Services on how the issue will be corrected. Also, instances were noted where an issue was documented as a finding on the original monitoring instrument and then changed to a recommended improvement without documenting the reasons for the change.

The program officers who monitor the ESGP subrecipients complete a standard monitoring instrument during on-site monitoring visits. However, the monitoring instrument is not always entirely completed, nor is the monitoring information correctly posted to the monitoring tracking system.

We tested the monitoring files for 26 of the 76 subrecipients in program year 2006 and found that:

- three of 26 the subrecipient files did not contain any monitoring documents for the program year 2006 monitoring visit,
- 12 of the 23 subrecipient files for which documentation of a program year 2006 monitoring visit was available, did not have the monitoring instrument fully completed by the program officer during the monitoring visit,
- 13 of the 26 ESGP monitoring files were not posted to the monitoring tracking system and an additional 6 were not posted correctly, and
- 19 of the 26 monitoring files did not contain a cumulative inventory report, which is required by the ESGP contract and should be submitted to Community Services by October 31st.

The ESGP policies and procedures require that the monitoring reports be sent to the subrecipients within 30 days of the monitoring visit, and that the subrecipients provide written responses to the findings within 30 days from the date of the report. If additional responses are needed, the subrecipients have 15 days to submit their follow-up responses. Follow-up letters requesting additional responses must be sent within 30 days from the date of the original monitoring response, or, if no additional responses are needed, the letter sent to close out the monitoring report must be sent within 30 days of the date of the responses.

- 16 of the 23 subrecipient monitoring files did not contain evidence that the monitoring reports were sent to the subrecipient on a timely basis,
- six of the 23 subrecipients did not submit their monitoring responses within the required 30 days,
- three of the 6 subrecipients who were required to submit additional responses did not submit the additional responses within the required 15 days, and
- 11 of the 23 subrecipient monitoring files tested indicated that the follow-up or closeout letters were not sent within 30 days as required. Four of the 23 subrecipient files did not have close out letters in the file, so it is unclear whether these monitoring reports were closed.

Recommendation

Community Services should develop processes to ensure that:

- Program officers are consistent in determining what issues are identified as findings and what issues are identified as recommended improvements,
- Monitoring files contain support for monitoring visits,
- Monitoring instruments are properly completed,
- Information entered into the monitoring tracking system is verified against the information in the monitoring files, and
- Correspondence and reports are sent to subrecipients on a timely basis.

Management Response

Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book that outlines standard language for most the commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding of the Monitoring Guide Book. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book.

The CS Project Manager for Monitoring, responsible for ESGP, will provide training to Program Officers to ensure that monitoring files contain adequate support documentation and monitoring instruments are properly completed.

Implementation Date: September 1, 2008

Staff responsible: CS Manager and CS Project Manager for Monitoring
The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member, who is not required to travel, will be designated to maintain the monitoring tracking system.

Implementation Date: December 2008

Management will provide training and oversight to ensure that staff adheres to the existing Monitoring Standard Operating Procedure in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. The existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.

Implementation Date: To be determined

Staff Responsible: CS Manager and CS Project Manager for Monitoring

Chapter 6-B

Community Services Should Ensure That Subrecipients Comply with Federal Salary Requirements

The program officers who monitor the ESGP subrecipients do not review the supporting documentation for salaries in order to ensure that subrecipients comply with the Office of Management and Budget's (OMB) Circular A-122, which covers cost principles for non-profit organizations, and Circular A-87, which covers cost principles for state, local and Indian tribal governments.

Circulars A-122 and A-87 require subrecipients' timesheets to reflect actual time worked. However, the monitoring instrument for ESGP asks, "Do the time sheets reflect actual time worked or a budgeted percentage?" Also, the program officers do not review to ensure that the timesheets are for the total activity of the employee, are maintained at least monthly, are signed by the employee or the authorized supervisor (for the non-profit subrecipients), and that the time sheet is signed by the employee (for state, local and Indian tribal government subrecipients.) Circular A-87 also requires that when an employee is working solely on a single program, the wages are supported by a periodic certification that is prepared at least semi-annually and is signed by the employee or a supervisory official having first hand knowledge of the work performed by the employee.

Recommendation

The monitoring instrument should be modified in order to require the program officers to review time sheets to ensure that the time reported is the actual time worked. The program officers should also ensure that the timesheets are for the total activity of each employee, that they are maintained at least monthly, and that they are signed by the correct individuals as required by Circulars A-122 (non-profits) and A-87 (state, local and Indian tribal governments.)

Management Response

The Emergency Shelter Grants Program (ESGP) monitoring instrument will be revised to expand the questions, and oversight, related to the review of subrecipient timesheets as required by OMB Circulars A-122 and A-87 and as further clarified by the Department's Legal Division.

Implementation Date: September 1, 2008

Staff Responsible: CS Project Manager for Monitoring

Chapter 6-C

The Monitoring Instrument Should Be Revised to Consider All Applicable Requirements

Program officers who conduct on-site monitoring visits use a monitoring instrument to review the subrecipient's compliance with the ESGP contract and with all federal and state laws. However, the monitoring instrument does not contain steps to ensure that the following requirements are reviewed:

- The subrecipient spent all grant amounts within 24 months of the date on which the Department made the grant amounts available,
- Funds are obligated within 30 days and spent within 180 days of the date on which the state made the grant amount available for homeless prevention activities,
- The expenditures are within the contract period,
- No rehabilitation work is performed or funds spent prior to the environmental clearance,
- The subrecipient has supplied copies of certification and inspection by local building officials for rehabilitation projects,

- Subrecipients developed policies and procedures on accepting declarations of income,
- Subrecipients document that clients served by non-homeless prevention activities were homeless prior to residency,
- If the subrecipient received funding for an essential service, they indicated that it was a new or increased level of service provided with local funds during the 12 calendar months immediately before the subrecipient received initial grant amounts,
- The subrecipient is involving homeless individuals and families in providing work or service pertaining to facilities or activities,
- Policies are developed to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services,
- No funds were spent on dwelling units that were not protected by hard-wired or battery operated smoke detectors,
- The subrecipient makes it known that the use of facilities and services are on a nondiscriminatory basis, and
- The subrecipient is providing the services that they state they will provide in their application.

Recommendation

Community Services staff should revise the monitoring instrument to include all of the above requirements.

Management Response

Management will revise the existing Emergency Shelter Grants Program (ESGP) monitoring instrument to include all of the recommendations cited above as interpreted by the Department's Legal Division.

Management will also contact HUD and request monitoring instruments used by other states that HUD considers most effective.

Implementation Date: October 1, 2008

Staff Responsible: CS Manager and CS Project Manager for Monitoring

Chapter 6-D

Subrecipients Should Document the Review of Client Eligibility Prior to Providing Funding for Essential Services

Two of the four categories of ESGP funds, homeless prevention funds and essential services funds are used to assist clients. Most ESGP clients receive homeless prevention services which consist of rent or utilities payments, or other services paid for with ESGP funds to prevent homelessness. Most of the essential services funds are used for subrecipient administration, but some clients receive funds from essential services, which are payments made directly to the client for things like bus tokens, job training or medical and psychological counseling. The subrecipients are not required to retain completed intake forms for clients that receive essential services, and program officers do not review client files to determine if the clients who received these funds were eligible.

Recommendation

Eligibility should be reviewed, documented and retained for all clients who receive essential services.

Management Response

Intake forms are currently required for homelessness prevention services provided directly to the clients such as rental subsidies and utility payments.

When subrecipients provide essential services that include food, bus tokens and personal hygiene items (such as soap and shampoo), subrecipients maintain a log detailing client names. However, staff will improve on this tool so that it has the ability to affirm eligibility of clients for essential services.

Implementation Date: *September 2008*

Staff Responsible: *CA Director and CS Manager*

Chapter 6-E

Standard Forms and Processes Should be Developed to Document the Sample of Expenditures and Client Files Reviewed During Monitoring

There are no written procedures for documenting the shelters visited and expenditures reviewed by the program officers during on-site monitoring visits. In addition, the contract specialist performs reviews of monthly expenditures, but does not document the results of these reviews. Finally, there is no written procedure regarding how many client files should be reviewed during an on-site monitoring visit. For example, one program officer may review 12 client files while at another subrecipient, they may only review three client files.

Recommendation

Community Services should:

- Develop written procedures and standard forms to document the shelters and expenditures reviewed during monitoring visits,
- Maintain documentation to support the review of monthly performance and expenditure data, and
- Develop written procedures regarding the minimum number of client files that should be reviewed in order to ensure consistency between subrecipient monitoring visits.

Management Response

Management will expand the Emergency Shelter Grants Program (ESGP) monitoring instrument to document the name and number of shelters visited and to integrate a standard form, including maintaining documentation, for use in reviewing expenditures.

Implementation Date: October 1, 2008

Staff Responsible: CS Manager and CS Project Managers

The CS Section will strengthen procedures to document a process for ensuring review of monthly performance and expenditure data.

Implementation Date: September 1, 2008

Staff Responsible: CS Manager and CS Project Manager for Planning

ESGP Program Officers currently review all client files for the sample months selected. The Monitoring SOP will be expanded to include a minimum percentage of client files that will be reviewed in order to ensure consistency between subrecipient monitoring visits.

Implementation Date: October 1, 2008

Staff Responsible: CS Manager and CS Project Manager for Monitoring

Chapter 7

Improvements are Needed to Ensure that the ESGP Application Complies with Federal Requirements

The ESGP program awards funding each year to a varied group of subrecipients. Some entities only apply for these funds one time (for example, to renovate a homeless shelter) and some apply every year in order to maintain ongoing programs. Applications are received by January, reviewed by the Department in February and awarded at the Department's May board meeting. The Department generally receives its award letter in February stating the amount of funding that will be available to the state for the ESGP.

The application process is competitive and funding is awarded based on a regional allocation formula. More applications requesting funding are received than there are funds available. For example, for the 2008 program year (which will start September 1, 2008) there were 118 eligible applicants, but only 77 of these applications were recommended to the Department's governing board for funding. After the awards, contracts are signed with the subrecipients prior to the start of the program year.

Generally the ESGP application used by potential subrecipients complies with federal requirements, however, there are two required certifications that are missing, and several minor requirements are either missing or are incorrect. These items should be corrected to ensure that the ESGP application is complete and that it fully complies with all federal requirements. We did not identify any issues with the ESGP subrecipient contract.

Chapter 7-A

Community Services Should Require All Certifications Listed in Federal Law

Community Services requires applicants for ESGP funding to certify to certain provisions that are required by federal law. The certification that is currently used requires the subrecipient to certify that all laws and regulations are followed. However, Title 42, Chapter 119, Subchapter 1, Part B, Section 11375 of the U.S. Code specifically states that a certification is required for the following items:

- any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary, and
- the renovation will assist homeless individuals in obtaining:
  - (A) appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living; and
  - (B) other Federal, state, local, and private assistance available for such individuals.

Recommendation

The certification signed by the applicants should be revised to include the required statements.

Management Response

The application for Emergency Shelter Grants Program funds will be expanded to include all required certifications as referenced above.

Implementation Date: November 2008

Staff Responsible: CS Manager and CS Project Manager for Planning

Chapter 7-B

An Exception to the Documentation Required for Eligibility Should be Included on the Application

For applicants who have not received ESGP funds in the past, there is an exception in the Texas Administrative Code for requiring the documentation of participation of homeless individuals on the applicant's governing board. This exception is not considered on the application eligibility review sheet, which could cause an eligible applicant to be disqualified. The Texas Administrative Code states that applicants who have not previously received ESGP funds from the Department are exempt from this requirement, but must comply with the requirement prior to execution of a contract with the Department.

Recommendation

The application eligibility review sheet should be revised to include this exception.

Management Response

The pre-screening Emergency Shelter Grants Program application form will be revised to include this exception.

Implementation Date: November 2008

Staff Responsible: CS Manager and CS Project Manager for Planning

Chapter 7-C

Requirements in the ESGP Application Should be Revised

In comparing the ESGP application to the Texas Administrative Code, there are areas where the application and the Texas Administrative Code do not match:

- The application states that the non-profit collaborative applicants are required to submit a ruling documenting their status as a 501(c) tax-exempt entity. The ruling should be on IRS letterhead, legible and signed by the IRS District Director. However, the Texas Administrative Code Section 5.204 (a)(2) states only that the Department prefers the eligibility documentation to be submitted in this way but also provides other options for documenting eligibility.

- The instruction section of the application, (Attachment G – Match) is missing requirements from the Texas Administrative Code Section 5.204(d)(2), which requires the applicant to submit a letter from the realtor or appraiser for the value of a donated building if documenting a donated building as part of their match. Or the applicant can submit the title, annual salary, percentage of time dedicated to ESGP activities, source of funds and the dollar amount for employee positions used as a match.
- In the application packet, applicants who are applying for the special initiative for homelessness prevention funds are required to answer the questions detailed under that section instead of developing a project narrative. However, the Texas Administrative Code does not exclude applicants who are submitting a special initiative application from the requirement to provide a narrative along with the application.
- In the collaborative application section, it states that, "a lead organization that provides only administrative support and not direct client services is excluded from the requirement of submitting attachments B, C and D", however this exception is not in the Texas Administrative Code.

Recommendation

Revise the application to comply with the Texas Administrative Code.

Management Response

Management will revise the Emergency Shelter Grants Program application to comply with the Texas Administrative Code.

Implementation Date: November 2008

Staff Responsible: CS Manager and CS Project Manager for Planning

Chapter 8

There are Advantages and Disadvantages in Changing the Organizational Structure to Separate the Monitoring and Program Support Functions

The program officers who monitor the subrecipients in both CSBG program and ESGP also provide technical assistance to the subrecipients. Technical assistance is provided when the program officer offers advice or suggestions to help improve the subrecipient's operations. Frequently this technical assistance takes place during on-site monitoring visits. Program officers are assigned a group of subrecipients to monitor and these assignments are rotated every three years. The program officers report to a manager who is directly accountable to the director of the Community Affairs Division. The director of Community Affairs is responsible for not only the monitoring of these programs, but for the performance of the programs, too. This model has several advantages and disadvantages.

The advantages are:

- An ongoing working relationship is developed between the subrecipient and the program officer that allows the program officer to become familiar with the operations and the needs of the subrecipients assigned to them,
- Program officers can identify the subrecipients' training needs and work with the trainer assigned to their program to ensure that the subrecipients get the training they need,
- Program officers can develop subject matter expertise in the CSBG program or ESGP, and
- The director of the Community Affairs Division is responsible for all aspects of the programs in the division and can more easily be held accountable for them.

The disadvantages are:

- There is a risk that managers or program officers could be inclined to identify issues as technical assistance or training needs rather than monitoring findings (see Chapters 3-A and 6-A regarding inconsistencies in monitoring findings),
- Program officers may develop relationships with subrecipients that could contribute to the risk of favoritism, and increase the potential for fraud, waste or abuse,
- The line between training needs and compliance with the laws and rules governing the administration of the grant funds is not clear,
- In the case of CSBG, technical assistance is not currently an allowable cost for the administration funds that pay the program officers' salaries (see Chapter 1-A),
- The director of the Community Affairs Division may not be willing to bring issues with subrecipients forward to executive management or the Department's

governing board because they are responsible for the success of the grant programs, and
- The program officers may not have easy access to information gathered by other divisions within the Department, for example, the Portfolio Management and Compliance (PMC) Division (see Chapter 3-B.)

The Department's PMC Division is responsible for monitoring most of the Department's other programs. Combining the Community Affairs Division's program officers' monitoring function with the PMC Division's would have the following advantages:

- Separating the goals of program support and technical assistance from monitoring,
- Decrease the opportunity for collusion, or other types of fraud, waste and abuse, and
- Decrease the number of monitoring visits by coordinating monitoring visits for multiple programs with each subrecipient.

See table 4 for a summary of the monitoring functions in the Community Affairs Division.

	Community Affairs	
	Community Services	**Energy Assistance**
Number of Open Contracts	146	129
Number of Subrecipients	127	51
Number of Monitors	5	7
Monitors' Salaries (Total)	$279,893	$340,500
Travel Budget for Monitors	$50,000	$73,562
Estimated Annual Funding Monitored	$36,469,308	$54,895,644
Source: Unaudited data provided by Department staff		

Table 4

Recommendation

The Department should evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place safeguards to ensure the consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.

Management Response

Management will evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place additional safeguards to ensure the *consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.*

Implementation Date: *To de determined*

Staff Responsible: *Executive Director, DED for Programs, Senior Director for Programs and CA Director*

Appendix A

Objectives, Scope and Methodology

Objectives

To review the draw processing and monitoring functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grant programs to determine if:

- 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,
- the expenditures are supported, in compliance with laws, regulations and rules, and
- programs are achieving performance goals.

Scope

The scope of this audit included the draw processing and monitoring functions of the Community Affairs Division's Community Services Block Grant program (CSBG) and Emergency Shelter Grant program (ESGP) for program years 2006, 2007 and 2008 to date.

Methodology

The methodology consisted of gaining an understanding of the CSBG and ESGP grants and the processes for administering and monitoring these programs. We compared federal and state laws, rules and guidance to monitoring instruments and Community Services' policies. We tested monitoring reports and responses, draws, and subrecipient financial and performance reports to ensure compliance with federal and state rules and regulations. We gained an understanding of the processes by conducting staff interviews and reviewing laws, regulations and policies and procedures, as well as reviewing monitoring instruments, monitoring and financial reports, and files.

Specifically, we reviewed the following documents:

- Printouts from the risk assessment module
- Results of the joint risk assessment process
- ESGP risk memorandum for program year 2006
- Monitoring reports and monitoring responses
- CS monitoring tracking system
- CSBG/CEAP monitoring instrument
- CSBG - joint monitoring instrument attachments
- ESGP monitoring instrument
- Support documentation collect by program officers during site visits

- Spreadsheets to monitor CSBG administrative limit
- CSBG budgets submitted by eligible entities
- CSBG monthly funding financial and performance reports
- HUD checklist
- HUD ESGP Program Guide
- ESGP monthly reports
- ESGP application scoring instrument
- ESGP subrecipient eligibility review sheet
- Policy Issuance 2002-3.6 Application for Homeless Prevention Service
- 2006 funding to subrecipients by activity
- Annual financial reports for 2005, 2006 or 2007

We used the following documents as criteria:

- 42 USC 11301 – Emergency Shelter Grant Program
- CSBG act - Public Law 105–285 105th Congress
- 24 CFR 576 - ESGP
- 10 Texas Administrative Code §5.1 – §5.15 - CSBG
- Texas Government Code 2306 – CSBG and ESGP
- U.S. Department of Health and Human Services – Information Memorandum #97
- 5-year CSBG subrecipient contract
- Annual amendment to 5-year CSBG subrecipient contract
- New annual CSBG subrecipient contract
- 2006, 2007, and 2008 ESGP grant award letters
- Program year 2006 ESGP contract and attachments
- Program year 2007 ESGP contract and attachments

Type of Audit
This audit was a performance audit of the Department's controls over the draw processing and monitoring functions, 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 all prior audit issues related to the objectives of this audit. These included prior issues from the State Auditor's Office as well as the Internal Audit Division. (See Appendix C for the status of these issues.)

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 January 2008 through April 2008. The audit was conducted 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
Harriet Fortson, MAcy, CGAP, Audit Project Manager
Colleen Bauer, Auditor

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.

Appendix B

Background

The Community Services Block Grant Program

The Community Services Block Grant (CSBG) was established during the 1960s by President Lyndon Johnson's antipoverty initiative. The Economic Opportunity Act established the war on poverty and authorized the Office of Economic Opportunity (OEO) as the lead agency in the federal antipoverty campaign. At the time, the most significant OEO program was the Community Action program, which established a nationwide network of community action agencies. In 1975, under the Nixon administration, OEO was renamed the Community Services Administration, but remained an independent, executive branch agency.

In 1981, under the Reagan administration, the Economic Opportunity Act was rescinded and the Community Services Administration was abolished. In its place came the Community Services Block Grant, which delegated responsibility for the administration of community action agencies to the states. The CSBG act was enacted as part of the Omnibus Budget Reconciliation Act of 1981. The CSBG program is administered by the Department of Health and Human Services (HHS). HHS distributes funds to the states to provide assistance for the reduction of poverty, the revitalization of low-income communities and the empowerment of low-income families and individuals in rural and urban areas to become self-sufficient.

A state must submit an application and state plan to HHS for a period covering not less than one fiscal year and not more than two fiscal years in which the state is applying for CSBG funds. Each application must contain assurances established by the CSBG act and details of how such activities will enable families and individuals. Congress appropriates the federal funds for CSBG annually. Upon approval of the application and receipt of the notice of funding availability, the state may obligate and expend CSBG funds.

The Texas Government Code, Section 2306.92(2) gives the Texas Department of Housing and Community Affairs (Department) the authority to make awards to community action agencies and other neighborhood-based organizations. In fiscal year 2007 the Department was awarded $30,208,630 in CSBG funding by HHS for allocation to eligible entities and to cover the administrative costs of the Department.

An eligible entity is considered an entity that was in effect on the day before the date of enactment of the Community Opportunities, Accountability and Training and Education Services Act of 1998 (COATS Act), or is selected by the Department through an application process. Eligible entities represent a geographic area not served by another eligible entity, including an organization serving migrant or seasonal farm workers. Each community action agency is governed by a board of directors, of which at least one third of the members are representatives of the low-income community, one third are local elected officials, and the remainder represent other interests of the local community being served, such as business, labor, religious organizations, education, or other groups.

Examples of CSBG funded services include: emergency assistance, home weatherization, activities for youth and senior citizens, transportation, income management and credit counseling, domestic violence crisis assistance, parenting education, food pantries, and emergency shelters. In addition, local agencies provide information and referral to other community services, such as job training and vocational education, depending on the needs of individual clients.

Of funds appropriated annually for the CSBG, HHS may reserve between .5% and 1% for training, technical assistance, planning, evaluation and data collection. The balance of the funding is distributed to the states. The Department is required to use 90% of the annual state grant to make awards to the eligible entities. An additional 5% is reserved for activities that may include:

- Services to low-income migrant and seasonal farm worker and Native American populations,
- Assistance to CSBG eligible entities in responding to natural or man-made disasters, and
- Proposals that request funding for innovative and demonstration projects that assist CSBG target population groups to overcome at least one of the barriers to attaining self-sufficiency.

The remaining 5% of the Department's award can be used to cover the administrative costs incurred by the Department, including the costs of monitoring activities.

The Emergency Shelter Grant Program

The Emergency Shelter Grant program (ESGP) was established under the Homeless Housing Act of 1986, in response to the growing issue of homelessness among men, women, and children in the United States. This legislation created the ESGP and authorized the Department of Housing and Urban Development (HUD) to administer the program to the states.

In late 1986, legislation containing Title I of the Homeless Persons' Survival Act – emergency relief provisions for shelter, food, mobile health care, and transitional housing was introduced as the Urgent Relief for the Homeless Act and passed by Congress in 1987. After the death of its chief Republican sponsor, Representative Stewart B. McKinney of Connecticut, the act was renamed the Stewart B. McKinney Homeless Assistance Act. President Reagan signed it into law on July 22, 1987. On October 30, 2000 President Clinton renamed the legislation the McKinney-Vento Homeless Assistance Act after the death of Representative Bruce Vento, a leading supporter of the act since its original passage in 1987. In 1987, the ESGP was incorporated into Subtitle B of Title IV of the Stewart B. McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371-11378).

The ESG program authorizes the Secretary to make grants to states, units of general local government, territories, and Indian tribes (and to private nonprofit organizations providing assistance to homeless individuals in the case of grants made with reallocated amounts) for:

- The rehabilitation or conversion of buildings for use as emergency shelters for the homeless,
- Payment of certain operating expenses of the shelter facilities and essential services in connection with emergency shelters for the homeless, and
- Short-term homeless prevention assistance to persons at imminent risk of losing their own housing due to eviction, foreclosure, or utility shutoffs.

The program is designed to be the first step in a continuum of assistance to enable homeless individuals and families to move toward independent living as well as to prevent homelessness.

The Texas Department of Housing and Community Affairs (Department) is authorized to administer the state's allocation of federal funds through the Texas Administration Code, Section 2306.094. The ESG program funds are allocated to the Department by HUD in February of each year for use in the state fiscal year beginning September 1st. ESGP funds will be made available to applicants to carry out the purpose of the program based on a statewide competitive application process. Applicants only compete with other applications from the same region of the state. The highest scoring applications are recommended to the Department's governing board for approval of an award.

Appendix C

Status of Prior Audit Issues

We performed follow-up work on thirteen prior audit issues. Of these issues, twelve (92%) were implemented and will be closed. One issue was not implemented and will be re-opened as a new finding for both CSBG and ESGP. The status of these prior audit issues are listed below.

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
119	The Department does not have formal policies and procedures regarding "joint" monitoring visits to review multiple programs, if applicable, simultaneously, rather than monitoring individual programs separately.	Internal Audit, Report # 9.09-2- *Selection of Subrecipients for Monitoring Reviews*	6/4/99	**Implemented** – The Department has developed joint monitoring procedures in order to define how joint monitoring visits will be performed.
233	Community Services management is not recognizing other monitoring related activities being performed within the Department and the results of those activities as procedures and results that could be relied upon to assist in accomplishing its monitoring responsibilities and for use in its risk assessment processes.	Internal Audit, Report #1.04 - *Community Services Programs - Sub-recipient Monitoring Function*	8/15/01	**Implemented** - Management is taking into account the other monitoring functions within the Department and has developed joint monitoring visits with Energy Assistance. Monitors determine if the subrecipients have addressed all findings reported by other divisions during monitoring visits.
235	On-site monitoring checklists should be expanded to include consideration of eligible activities and the achievement of performance goals. Detailed formal SOPs	Internal Audit, Report #1.04 - *Community Services Programs - Sub-recipient Monitoring*	8/15/01	**Implemented** - Management has added considerations of eligible activities and achievement of performance goals to the monitoring instrument, and

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
	relating to the use and extent of use of all monitoring tools should be established.	*Function*		included the use of the monitoring tool in its monitoring policies and procedures.
234	The nature and extent of monitoring procedures applied to a subrecipient is not based upon an assessment of associated risks such as the complexity of the compliance requirements or the subrecipient's prior compliance history, its responsiveness to correcting prior monitoring findings, its prior performance with the program or similar programs and the results of other audits or oversight activities.	Internal Audit, Report #1.04 - *Community Services Programs - Sub-recipient Monitoring Function*	8/15/01	**Implemented** – Community Services uses the Department's risk assessment process to determine which subrecipients to monitor and when to monitor them. See Chapter 3-F for recommended improvements to the risk assessment process.
236	Enhance standard operating procedures to include (1) quality control review procedures, (2) report distribution procedures and (3) the use of the results of the monitoring function to identify and risk rank subrecipients and compliance requirements for determining subrecipients to be monitored and procedures to be applied.	Internal Audit, Report #1.04 - *Community Services Programs - Sub-recipient Monitoring Function*	8/15/01	**Implemented** - Quality control review procedures, report distribution procedures, and procedures defining the use of the results on-site monitoring visits have been documented.
237	Develop and implement a system to track the status of reported deficiencies	Internal Audit, Report #1.04 -	8/15/01	**Implemented** - Management has developed a system

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
	supported by formal standard operating procedures.	*Community Services Programs - Sub-recipient Monitoring Function*		to track the status of reported deficiencies, and defined the system's use through formal standard operating procedures.
292	Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Percent of Persons in Poverty that Received Homeless or Poverty Related Assistance. (The Department did not include all fiscal year 2001 performance reports in its reported result.)	State Auditor's Office, Report # 03-008, *An Audit Report on Fiscal Year 2001 Performance Measures at 14 Entities*	11/15/02	**Implemented** – Policies and procedures have been implemented to ensure that ABEST data is updated if additional information is received. (See Chapter 4-A for additional information on performance measures.)
293	Recalculate performance results and amend ABEST if the Department receives information that affects previously reported results for Number of Persons Assisted that Achieve Incomes Above Poverty Level.	State Auditor's Office, Report # 03-008, *An Audit Report on Fiscal Year 2001 Performance Measures at 14 Entities*	11/15/02	**Implemented** – Policies and procedures have been implemented to ensure that ABEST data is updated if additional information is received. (See Chapter 4-A for additional information on performance measures.)
307	CSBG subgrantees annualize 30 days of income to estimate annual income and determine income eligibility for services, which is allowable under	State Auditor's Office, Report # 03-041, *An Audit Report on Selected Assistance*	6/30/03	**Implemented** – The Department's governing board voted to use 30 days of income to determine eligibility.

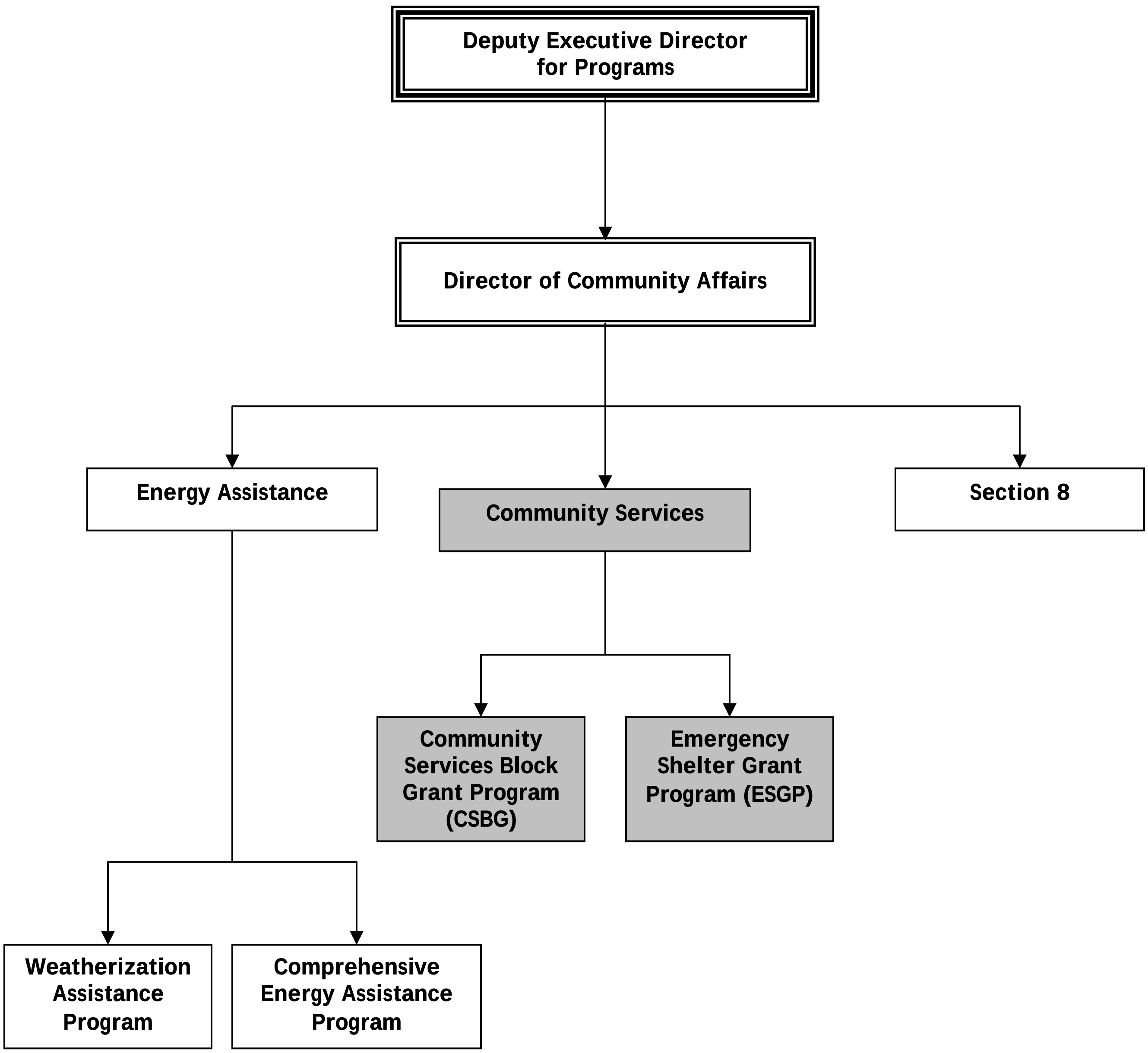
Issue #	Prior Audit Issue	Source	Date of Report	Current Status
	federal regulations; however, using only 30 days of income allows applicants to receive services even when their annual household incomes exceed the program's income eligibility thresholds.	*Programs at the Department of Housing and Community Affairs*		
316	The Department requires sub grantees to maintain complete and accurate financial and performance data. However, it does not monitor sub grantees' controls or provide sub grantees with technical assistance regarding the adequacy of controls over information that they maintain electronically.	State Auditor's Office, Report # 03-041, *An Audit Report on Selected Assistance Programs at the Department of Housing and Community Affairs*	6/30/03	**Implemented** - The Department has provided technical assistance to subrecipients regarding the adequacy of controls over their electronic information, and added questions to prompt the program officers to ensure that subrecipients submit the *IT Security Practices Questionnaire* by which is used to monitor their IT controls.
318	The Department lacks a policy to preclude sub grantees from approving their own ESGP grant awards. As a result, one ESGP grant recipient both received ESGP funds and served on the Department's review committee to award ESGP funds.	State Auditor's Office, Report # 03-041, *An Audit Report on Selected Assistance Programs at the Department of Housing and Community Affairs*	6/30/03	**Implemented –** A policy was developed to ensure that no state or national organization competing for ESGP funds participates in the review of statewide applications.
309	The CSBG program	State	6/30/03	**Implemented -**

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
	closes their monitoring processes without ensuring that sub grantees have addressed the issues identified during monitoring.	Auditor's Office, Report # 03-041, *An Audit Report on Selected Assistance Programs at the Department of Housing and Community Affairs*		Community Services does not allow monitoring visits to be closed until all reported deficiencies have been addressed by the subrecipient and approved by the Department.
315	Information in the Emergency Shelter Grant Program's monitoring tracking system is not accurate.	State Auditor's Office, Report # 03-041, *An Audit Report on Selected Assistance Programs at the Department of Housing and Community Affairs*	6/30/03	**Not Implemented** - The information in the monitoring tracking system is not accurate, and can not be relied upon in making management decisions. This issue is addressed in chapters 3-F and 6-A. This issue will be closed and a new issue will be opened for both CSBG and ESGP.

Appendix D

Organizational Chart of the Community Affairs Division

(The programs covered by this audit are highlighted in gray.)



Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation and discussion of the Department of Energy's (DOE) Monitoring Report on the Weatherization Assistance Program (WAP.)

Required Action

None, information item only.

Background

The Texas WAP is being administered in accordance with federal rules and program regulations. However, there appears to be significant room for improvement, particularly at the subrecipient level. There were no major findings resulting from this monitoring visit so responses were not required. However, DOE requested a report from the Department indicating what follow-up actions will be taken on the recommendations for improvement.

Recommendations for improvement:

- The state weatherization team would benefit from attending more training conferences, workshops, and program-related meetings, than they have in the past few years. By acquiring this additional training, the weatherization team would be better equipped to "update" the program and improve the quality of service delivery.
- The Weatherization team should use the new database system as a management tool by further extending their weatherization database analysis and sharing this information with the subgrantees.
- The Department needs to submit its energy audit to DOE for updated approval.
- The weatherization monitoring staff should review the information entered by subgrantees into the energy audit, particularly for storm windows, to ensure that the input is accurate and that the energy audit is being used appropriately.
- A thorough review of the procedures and guidelines that have been adopted should be conducted and tied to the monitoring and training activities of the Department.
- The Department should acquire more in-depth, hands-on training, including proper equipment, tools, and materials, for subgrantees and contractors related to mobile homes. In addition, the Department should increase its training and technical assistance plans to ensure that all subgrantees receive more training, including mobile homes.
- The weatherization team should research cellulose insulation with other states and establish a statewide policy on this issue that can be consistently implemented by all subgrantees.
- The Department should review the policies on the combustion appliance safety test procedures with all subgrantees and require their compliance. If additional training is necessary for any subgrantee, TDHCA should provide it.
- TDHCA should monitor field guides, and the state plan, to ensure that subgrantees are performing as required.

Recommendation

No action is required.

Department of Energy
Golden Field Office
1617 Cole Boulevard
Golden, Colorado 80401-3393

RECEIVED
MAY 23 2008
ENERGY ASSISTANCE

May 14, 2008

Mr. Michael Gerber
Texas Department of Housing and
Community Affairs
Community Affairs Division
P.O. Box 13941
Austin, Texas 78711-3941

Dear Mr. Gerber:

Thank you for the courtesy and cooperation your staff extended to me during my March 25-27, 2008 monitoring visit to review the Department of Energy's (DOE) Weatherization Assistance Program (WAP) administered by the Texas Department of Housing and Community Affairs (TDHCA). In accordance with DOE guidelines we try to conduct routine monitoring of each WAP Grantee every two years.

The purpose of this correspondence is to provide you with a report on my monitoring visit. First, let me say there were no major findings that resulted from my visit. Overall, the Texas WAP is being administered in accordance with federal rules and program regulations. However, there appears to be significant room for improvement, particularly at the local subgrantee level. In this report I have made several comments and suggestions on where, and how, improvement can be attained.

At the beginning of my visit I conducted an initial briefing with Amy Oehler, Michel DeYoung, Marco Cruz, and other staff, that work on the Texas WAP. During the briefing I went over the purpose of my visit, reviewed the procedures I would follow, and together with the TDHCA staff we planned the agenda for the visit.

Prior to the visit I provided your staff with a copy of the Weatherization Monitoring instrument which has questions on various areas such as: contracts; financial and programmatic processes; accounting and record-keeping procedures; technical management and implementation of the weatherization work conducted by subgrantees; and training and technical assistance for the subgrantees. Your staff sent written responses to the questions in advance of my visit, which allowed more time to be spent on areas that needed extra time, and to meet with several staff members individually to go over their areas of responsibility and duties.

I was also able to spend one and one-half days visiting a local subgrantee agency in Corsicana, TX, to view homes in the process of being weatherized, and homes that had been completed and inspected. The visit to the subgrantee was not to monitor their work. The purpose was to interact with the subgrantee staff, observe how they implement the program at their level, and see the quality level of weatherization work they perform on homes. It was also to give me an indication of how the State monitors its subgrantees. I met and conversed primarily with the Weatherization program coordinator, Art Kampschafer at the agency in Corsicana.

On the final day of my visit I conducted an exit briefing in your office with the Weatherization staff and Mr. Bill Dally, during which time I went over the results of my visit.

Please thank your staff for providing their written responses to the questions in the monitoring instrument ahead of time, and for their open and candid manner in responding to my questions while on site.

COMMENTS AND RECOMMENDATIONS

Overall, I found your staff to be dedicated to doing a good job in managing and implementing the Texas Weatherization Program. I did express some concerns to the staff, which I will also cover in this report, related to the implementation of the program at the subgrantee level. Please note that these comments are based upon my observations at one subgrantee, and may not be reflective of the work done by all other subgrantees. Your staff expressed similar concerns to mine with this particular subgrantee agency, and agreed that my observations would be helpful to them in providing training, technical assistance, and monitoring in the future.

The following comments and recommendations are organized under the headings used in the Weatherization Monitoring Instrument.

1. ORGANIZATION:

- The Texas Weatherization Program appears to be staffed at TDHCA with dedicated and motivated individuals with a good mix of experience levels, program knowledge, and individual skills. Despite the loss of experienced staff at the Weatherization management level, it appears the remaining staff have covered the voids and I was impressed with many of the staff that I met with.

- The accounting, planning, financial, monitoring, and IT staff, all appear to have a good working knowledge of the program and combined with their good skill levels, make for a good team.

- Coordinating this team's efforts and turning them into activities that could result in the program moving up to the next level—a "Weatherization Plus" level program--appears to be the biggest challenge for TDHCA.

- For the most part, the subgrantee network appears to be operating the program in compliance with program regulations. However, based on the subgrantee I visited, there is room for improvement in the delivery of safe, up-to-date energy efficiency measures that meet both DOE's and TDHCA's expectations.

- **RECOMMENDATION:** It would be beneficial to the state weatherization team if they were able to attend more training conferences, workshops, and program-related meetings, than they have in the past few years. DOE puts a lot of emphasis on training for program managers and other staff that perform oversight functions, and also provides adequate funding to states for such activities. It is my understanding that despite DOE's funding and guidance emphasizing these as high priorities (WPN 08-1, Section 2.5), internal travel restrictions are prohibiting weatherization team travel. The program staff should be attending all DOE-sponsored training conferences; the technical monitoring staff should be attending technical training conferences such as Affordable Comfort, Inc., held annually; and the administrative/financial staff should be attending financial-oriented seminars. By acquiring this additional training, the weatherization team would be better equipped to "update" the program and move it to a higher level of quality services being delivered. The message for improving and implementing the program according to the intent of the DOE mission, rests with the grantee and its staff.

2. GENERAL ADMINISTRATION AND PROGRAM MANAGEMENT:

- Overall, the WAP is being administered according to federal rules and program regulations. However, there are areas where the implementation at the local level, especially at the subgrantee that I visited, may not be in compliance with TDHCA's policies and field guide standards. I have listed comments and suggestions in this report that I discussed at length with the staff during my visit. Many of my observations and discussions are based on on-site visits to homes that were either in the process of being weatherized, or had already been weatherized by the subgrantee that we visited.

- Overall, it does appear that the Weatherization staff has increased the efforts to stay current in monitoring subgrantee agencies and dealing with problem situations as they arise. An example of this is the effort put into the follow-up action that was necessary when non-weatherization problems arose recently at a subgrantee agency in South Texas and was eventually de-funded. This agency was also providing weatherization services, and the follow-up inspections and review of Weatherization activities that was conducted by TDHCA's weatherization staff was a validation of why monitoring must be maintained and conducted on a regular basis. DOE recognizes and commends the staff for the good job they did in their follow-up actions.

- The new web-based data base system that is being developed in-house at TDHCA appears to be well thought out, and if used regularly as a management tool, should greatly assist the weatherization team in overseeing the program. There are some additional items that could be added to the system and these were discussed with the staff and are included in the recommendation below.

- **RECOMMENDATION:** The Weatherization team is in an excellent position to use the new database system as a management tool to an even greater extent than they initially planned. I encouraged the staff to extend their weatherization database analysis further and share this information with the subgrantees on a regular basis to encourage them to continue to strive for improvement and providing the most beneficial energy saving measures for their recipients. For example, the staff should be collecting and analyzing data on the work done on each home, allowing the staff to review specific weatherization measures that were done (or not done), and summarizing that data by: subgrantee; different climate zones; housing type, specific measures, costs, etc. This data could then be used as a learning tool by identifying agencies that are doing well in certain areas and sharing the reasons for their success with those where the data indicates the need for assistance. The data can also be reviewed for "flags" where further action, such as training, may be warranted. Examples of this may be where lower than expected percentages of measures that commonly have a Savings-to-Investment Ratio (SIR), greater than 1, are being provided, or where there are higher than average costs for specific measures. When such situations are revealed, they need to be reviewed in more detail to determine the cause, which may include: lack of training in those measures; lack of competition among contractors; or lack of understanding of program guidance and mission objectives at the subgrantee level. Having access to individual home data is essential in order to perform the above analysis.

3. FINANCIAL MANAGEMENT AND ADMINISTRATION:

- The most recent state financial audit completed on your office had no findings related to Department of Energy Weatherization Assistance Program funds.

- The State accounting and reporting systems that are followed by your agency appear to be adequate to provide sufficient checks and balances to detect any potential financial problems such as waste, fraud and abuse. It should be noted however, that my monitoring review was not an extensive "audit" of TDHCA's financial procedures. DOE's financial monitoring responsibility for the WAP rests with the the National Energy Technology Laboratory, the DOE WAP Contracting office. A Contract Specialist—for Texas, it is Mr. Kellyn Cassell--at NETL, who is charged with conducting a "desk audit" on the WAP and reporting any findings or concerns related to the Financial Management area. During a discussion with Mr. Cassell prior to my visit, he said he had no "concerns" or findings related to the Texas weatherization award, and thus has no additional input to this report.

- During my visit I was able to meet with several staff that work on financial management tasks, as well as completing the related reports that are required to be submitted to DOE, and was impressed with the processes they follow.

4. TECHNICAL MANAGEMENT AND ADMINISTRATION:

- Energy Audits: Program regulations (WPN 08-1, and 01-4) require Grantees to update their energy audits every five years by submitting the necessary documents included in WPN 01-4 to DOE. The last updated energy audit review for Texas was completed in 2002, and therefore is currently overdue.

- **RECOMMENDATION:** TDHCA needs to submit its energy audit to DOE for updated approval as soon as possible, following the guidance provided in WPN 01-4.

- Energy Audit input: It appears that Texas subgrantees continue to perform a significant amount of window and door installations, and at one home visited while work was in-progress, storm windows were being installed. The file for this house indicated that the SIR from the energy audit was 4.03. In many colder states that have much higher heating degree days than Texas, storm windows rarely have an SIR greater than 1. Thus, for warmer climates such as Texas, DOE has for years, questioned the cost-effectiveness of installing storm windows with program funds.

- **RECOMMENDATION:** The Weatherization monitoring staff should be taking a closer look at the input that subgrantees enter into the energy audit, particularly for storm windows, to ensure that the input is accurate and that the energy audit is being used appropriately. Reviews should include, at a minimum: costs (material and labor); household characteristics such as type (mobile home, or site-built); square footage; fuel costs; and climate data used (degree days). Based on the results of these reviews, additional training should be provided to subgrantees as necessary.

- Field Work: It appears, based on the observations made during the subgrantee visit, that the overall field work procedures and techniques being implemented in the field need a little closer review by the Weatherization staff. The work being done by the subgrantees must meet the policies and standards in TDHCA's field guides that were adopted to guide the type of work done on homes by all subgrantees. Steps for improving the implementation of more advanced energy efficiency and health and safety measures as noted in this report, and in TDHCA's field guides, should be stressed more vigorously to the subgrantees by TDHCA staff.

- **RECOMMENDATION:** A thorough review of the procedures and guidelines that have been adopted--the TDHCA field guides—should be conducted and tied to the monitoring and training activities of TDHCA. For example: Both DOE and the TDHCA Field Guides stress dense-pack sidewall insulation as a measure and technique to reduce air infiltration and conductive heat losses. As noted in the guide, there are special requirements for providing dense-pack insulation, among them the use of capable equipment, specific installation techniques, and the use certain tools and hoses. The weatherization staff should become more familiar with all these and then impart the information, through training, to the subgrantees and their contractors for implementation in the field.

  Two more examples are the implementation of Lead-Safe Weatherization (LSW) which has been required since 2002, and the new DOE Policies on unvented Space Heaters. Observations made during my site visit indicate that the procedures, equipment, materials, and follow-through may not be fully understood by subgrantees and their contractors, for appropriate implementation of LSW in the field. Similarly, there was much discussion with the subgrantee about the new Space Heater policy, which forbids the installation of unvented space heaters as a primary heater. The subgrantee made it clear that this policy would probably not be followed for various reasons, one being that there were still unvented space heaters in his inventory.

- **RECOMMENDATION:** DOE will be providing revised LSW guidelines and procedures in the next few months for implementation slated for 2009. In the meantime, TDHCA should review the current policies and procedures that are in place related to the 2002 requirement to implement LSW, and also review the extent of training that will be necessary to get LSW implemented by all subgrantees and their crews and contractors in the future. TDHCA will have to take a close look at how it should plan for training and full implementation by all its subgrantees and their contractors. Similarly, TDHCA should be monitoring the implementation of the new Space Heater Policy (WPN 08-4) with all its subgrantees to ensure compliance as soon as possible.

- <u>Mobile Home Weatherization:</u> A discussion with both the TDHCA staff and the subgrantee visited, about weatherization measures that are routinely provided by subgrantees, revealed a particular need for an in-depth review of the work that is being performed on mobile homes. In addition, the procedures used in conducting energy audits on mobile homes also needs to be reviewed. It appears that very few mobile homes receive ceiling insulation, a weatherization measure that can be very effective against heat loss during the winter season, and heat gain during the summer season in Texas. It also appeared that other measures may not be fully implemented or their beneficial value to clients understood, such as duct sealing, heating system safety and efficiency checks, and the installation of energy efficient lighting (compact fluorescents.)

- **RECOMMENDATION:** TDHCA should first, acquire more in-depth, hands-on training, including proper equipment, tools, and materials, for subgrantees and contractors related to mobile homes. Second, TDHCA should shore up its Training and Technical Assistance plans to ensure that all subgrantees get adequate and more frequent training in certain areas cited in this report, including mobile homes. The measures for mobile homes mentioned above have all been successfully performed for many years in the weatherization program by several other states. The issue raised by the subgrantee for not performing these measures--liability fears--has been dealt with by many states years ago, and should not be accepted by TDHCA as a legitimate reason for not doing these measures. Better, targeted training and enforced monitoring is recommended to TDHCA to address these issues and to get the subgrantees to implement them.

- <u>Cellulose Insulation:</u> It appears there is a bias in the Texas Weatherization Program against the use of cellulose insulation, primarily due to fire danger fears. This is an issue that has been around the weatherization program for several years, despite the fact that tens of thousands of homes have been weatherized with this type of insulation. There has been a considerable amount of research and testing that has been done on this product. DOE requires strict testing of all its allowable materials, including cellulose insulation, and all materials must meet the requirements listed in the program regulations under Appendix A, of 10 CFR 440. As a result, DOE is confident that it is not encouraging nor allowing the use of materials that could pose a health or hazardous condition for weatherization recipients, when the standards are met.

- **RECOMMENDATION:** Cellulose insulation has been used successfully in the DOE Weatherization Assistance Program for several years in every state in the country, without any evidence of fires provided to DOE that were related to poor fire retardant capabilities of the product. Because of this product's excellent air sealing capabilities, as well as its low cost, and high content of recyclable materials, it has been a favorite insulation choice by many states that use it on a regular basis. I suggest the Weatherization team research this issue with other states to hear their experiences and establish a statewide policy on this issue that can be consistently implemented by all subgrantees.

- Combustion Appliance Safety tests: It was noted on the subgrantee visit that regular spillage or draft testing procedures, which ensure proper exhaust of flue gases on combustion appliances such as water heaters, were not being conducted. These procedures are highly encouraged by DOE as a health and safety measure, and the procedures are covered in the Texas Mechanical Systems Field Guide, and the State Plan provided to DOE. However, subgrantee staff during my on-site visit did not conduct the procedure, were not familiar with it, and stated that it was not a procedure that they regularly perform.

- **RECOMMENDATION:** TDHCA should review their policies on this procedure with all subgrantees and require their compliance. If additional training is necessary for any subgrantee, TDHCA should provide it.

5. TRAINING AND TECHNICAL ASSISTANCE:

- It appears that training and technical assistance is being provided on a case by case basis by TDHCA staff. In the area of field work there is a fair amount of training being provided, however, there are still significant needs for additional training as the training is not showing up in the field as being sufficient. Also, it appeared that while some subgrantees had been trained on certain measures and techniques, there was not a continual, sustainable plan for ensuring that all subgrantee staff and contractors maintain a level of training that is necessary for them to implement the techniques and procedures included in the TDHCA Field Guides.

- **RECOMMENDATION:** The Weatherization staff has stated that they are in the process of trying to acquire mobile home training for subgrantees, and I encourage them to continue with this effort as soon as possible. I also encouraged them to contact the Montana State University (MSU) Technical Assistance Center, who currently has DOE funds for assisting with training, for both mobile homes and LSW. In addition, TDHCA should review its training plans to see how additional training can be provided to subgrantees who may have a greater need than others on the specific topics, and how regular, sustainable training can be provided.

6. SUBGRANTEE MONITORING:

- Reviews of monitoring results summaries indicate that administrative and programmatic monitoring appears to be thorough. However, monitoring of technical field work according the TDHCA field guides and the state plan, could be improved.

- **RECOMMENDATION:** TDHCA should monitor according to its own policies and procedures, field guides, and the state plan, to ensure that subgrantees are performing as

Please thank your staff for the hospitality and cooperation they provided me during my visit. I look forward to continuing the excellent working relationship I've enjoyed with your office.

If you have any questions please contact me at 303-275-4843.

Sincerely,

Robert L DeSoto

Robert L. DeSoto
Weatherization Project Manager

Cathy Iverson

Reviewed by: Cathy Iverson, Branch Chief

cc: Amy Oehler
Kellyn Cassell

required, and as stated in these documents. In addition, TDHCA should also monitor the follow-up being required in monitoring reports of subgrantees more closely, to ensure that all follow-up procedures are being sustained.

7. OBSERVATIONS FROM LOCAL AGENCY VISIT:

The subgrantee agency that I visited was the Community Services, Inc., in Corsicana, TX. Overall, I believe the agency has the desire to provide services that are beneficial and meaningful to its eligible clients. Initially, the staff was positive and professional and appeared to have a good working knowledge of the Weatherization Assistance Program. However, the homes that were visited left me with an impression that this agency does not always abide by the policies and procedures that TDHCA has in place. Instead, this agency opts to follow procedures that they have grown accustomed to doing for many years, rather than attempting to move the program to the next level.

For example, the first unit had reportedly received "dense-pack" sidewall insulation, but after drilling holes to inspect the density of the insulation, it was loosely blown-in and did not appear to meet the specifications of the dense-pack procedure. I later reviewed with the TDHCA staff what I thought were the reasons for the lower than expected density. These included: poor equipment not capable of providing pressures needed; improper techniques for material installation (no fill hose was used); improper spacing of holes drilled for blowing in insulation; and the use of an angled nozzle which could not provide adequate pressure or coverage, as required by dense-pack standards (See the Texas Weatherization Field Guide, page 65.)

Also at the first unit, windows were being replaced in addition to storm windows being provided (see comments above under energy audit), and LSW was purported to be taking place. The LSW procedures and techniques, along with the safety precautions being taken by the workers, left a lot of room for improvement. The interior containment areas for containing lead dust around the windows were improperly done and were ineffective. The worker removing a window was not wearing gloves, safety glasses, or any other kind of protective clothing, and even admitted that he had already cut himself four or five times. After further discussion, it was determined that this contractor had received LSW training shortly after it was first required (2002) and had not received updated training since then.

At the second unit, a completed unit, no spillage or draft test had been conducted on the water heater and a non-vented space heater had been provided as a replacement primary heating unit. Because the new space heater policy, which forbids such a replacement, was not in effect at this time, this would not be a non-compliance finding. Also, it was pointed out to me that energy efficient lighting is not usually provided by this subgrantee, although there seemed to be ample opportunity to do so at this client's home.

The third unit, a mobile home that was also a completed unit was the most bothersome to me. It received very little work, no insulation in the ceiling (discussion about this indicated the existing level may not have even been checked) and it was left in a state that no weatherization unit should be left. The electric furnace—which was both a heating and a cooling unit--appeared to receive no service whatsoever as it was filthy, and appeared to have not been inspected or cleaned through the use of weatherization techniques. The client said she had told the agency staff that it provided very little heat through the ductwork, yet they appeared to have not been inspected or sealed. The subgrantee said they were not leaky as measured with the blower door. This could not possibly be the case, as the client said the ducts had recently filled with water from a leaky toilet, but yet the water had drained, meaning that there had to be leaks somewhere. Also, the method for testing for duct leakage should not be conducted with the blower door alone (see TDHCA Weatherization and Mechanical Field Guides.) A pressure pan, or a mirror and a light should also be used to test for duct leakage. The TDHCA staff said the subgrantees have been trained on these techniques, but is doubtful they were conducted on this unit. The client at this third house also said she must still, after weatherization, use her electric stove to provide heat when it is needed, which is a very inefficient and costly way for a weatherization client to get heat.

When the above issues were raised with the subgrantee at the third house and during the exit interview at the subgrantee office, they basically said they were not going to do most of the procedures mentioned in this report, even if they are in the Texas Weatherization field manual or policies. Because I was not monitoring the subgrantee and was there only to observe how they were implementing the Texas Weatherization Program, it was not my position to cite them with non-compliance. However, the TDHCA staff should not allow this, or any subgrantee to be out of compliance with its own policies and procedures.

TDHCA needs to enforce the federal regulations and its Weatherization Field Guides with all its subgrantees. These include areas such as: following the new DOE space heater policy that is now in place (it was not in place at the time of my visit); performing mobile home insulation measures; reconsidering the use of cellulose insulation; and conducting safety tests on combustion appliances.

CONCLUSION:

A major part of my monitoring visit was not only to review and evaluate the condition of the program, it was also to provide technical assistance wherever I could and as time allowed. In addition to the comments in this report, I made several suggestions and recommendations that are not mentioned in this report, but were noted by your Weatherization staff. Please note that all of my comments and recommendations are not intended to be critical or to demean the Weatherization staff—at the grantee or the subgrantee level--in any way. They are intended to assist you and your staff to improve the quality of the Texas Weatherization Assistance Program. This is a goal that was also expressed by your staff throughout my visit. I hope my comments and recommendations will be taken in that context.

There were no major findings resulting from this monitoring visit, thus there are no specific responses to findings being required. However, I would like to receive a report from TDHCA indicating what follow-up actions will be taken on the recommendations made in this report. Some of the findings and observations at the local subgrantee that are included in this report should be further reviewed by TDHCA, to see if they are also occurring at other subgrantees, with DOE WAP funds. Based on TDHCA's responses to this report, I would like to leave open the option for another possible follow-up visit to observe the actions that TDHCA has taken.

Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Status of the TDHCA Fraud hotline.

Required Action

None, information item only

Background

The Department's fraud, waste and abuse hotline is now in operation. We contracted with The Network, which is a third-party provider of anonymous hotlines, to provide an avenue for Department employees and other stakeholders to report suspicions of fraud, waste or abuse on the part of the Department's staff, subrecipients or contractors.

The hotline number (1-877-749-3316) and additional information regarding the anonymous reporting process is available on the Department's web site. In addition, executive management will send out a memo in support of the hotline to all employees. Other plans to publicize the hotline include posting flyers, and providing brochures and information regarding the hotline to employees during new employee orientation and employee exit conferences.

Recommendation

No action is required.

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FRAUD·WASTE·ABUSE HOTLINE

TDHCA Makes $9.5 million investment in rural Texas through 2008 HOME Program awards

Recognizing that retaining and expanding both homeownership opportunities and the availability of affordable rental housing is vital to the health of rural Texas communities, TDHCA has released $9.5 million in HOME Program awards to help approximately 600 qualifying families buy a home, secure an affordable place to rent, or repair and replace homes damaged by natural disasters.

Beyond the obvious benefits of financial independence and self-reliance to individual Texans, HOME Program funds will also create numerous construction jobs, inject much-needed payroll funds into rural economies, and significantly increase the tax base available to 36 local city and county governments. More »

What's New

- Compliance Roundtable Registration
- Continuum of Care (CoC) Request for Proposals
- Notices of Funding Availability:
  2008 HTF Homeownership Super NOFA, HTF Rental Production, Contract For Deed Program, Texas Bootstrap Loan Program... more »

Featured Items

- Board Meeting Materials
- Notices of Funding Availability
- 2007 Program Guide
- Owner's Financial Certification
- Maximum Income and Rent Limits
- Legislative Appropriations Request FY 2008-09 (PDF)

In or Near Foreclosure? Get Help »

Quick Assistance

Hyperlinks and Toll Free Help

Manufactured Housing	800-500-7074
Homebuyer Assistance	800-792-1119
Homebuyer Education	800-792-1119
Home Foreclosure (HPF Web site)	888-995-4673
Home Repair Assistance	888-606-8889*
Rent Payment Assistance	
Section 8	800-237-6500
Weatherization Assistance	888-606-8889*
Utility Bill Payment Assistance	877-399-8939*
Staff Directory	

For More Toll Free Help: 800-525-0657

*Use a land-based connection (not a cell phone) so your call will be directed properly.

CDBG Disaster Recovery Assistance

Learn about the new program, and find out if you're eligible to receive assistance. more »

TDHCA Governing Statute

TDHCA Rules (TAC)

Compact with Texans

Report Fraud, Waste and Abuse (Toll free: 877-749-3316)

FRAUD·WASTE·ABUSE HOTLINE

The Internal Audit Division of the Texas Department of Housing and Community Affairs (Department) has initiated a toll free hotline that can be used by the general public or other stakeholders, as well as the Department's employees, to anonymously report instances of fraud, waste and abuse.

Internal Audit contracts with The Network to provide the hotline services. The Network is a third-party administrator of anonymous hotlines. The hotline is available 24 hours a day, 365 days a year and calls are answered by employees of The Network. Information can be provided anonymously via a telephone call, a fax, a letter or an e-mail. If reports are made by fax or e-mail, The Network will ensure that the complaint remains anonymous.

After a call or contact is received, phone interviews are conducted by the Network's interview specialists. Information received by The Network is automatically converted into an incident report which is sent only to Internal Audit. This insures that individuals who call the hotline remain anonymous.

If you would like to report an incident of fraud waste or abuse at the Texas Department of Housing and Community Affairs, you can contact The Network and make a report in any of the following ways:

By Phone
Call toll free: 877-749-3316

By Mail
The Network
ATTN: Texas Department of Housing and Community Affairs
333 Research Court
Norcross, GA 30092

By Fax
770-409-5008
Faxes need to include the following information on the cover sheet:
TO: The Network
ATTN: The Texas Department of Housing and Community Affairs

By E-Mail
Reportline@tnwinc.com
Please include “Texas Department of Housing and Community Affairs” in the email text.

Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation and discussion of the status of prior audit issues.

Required Action

None, information item only.

Background

Audit standards require auditors to follow-up on the implementation status of their audit recommendations. Internal Audit maintains a data base of prior audit issues that is used to track the findings and recommendations from both internal audits and external audits.

Of the current 25 prior audit issues:

- 18 issues were reported as “pending” or “action delayed”. We will verify and close these issues when they are reported as “implemented.”
- 7 issues have been reported by management as “implemented.” We will verify and close these issues as time allows.

During the review of the prior audit issues database, we identified 220 prior audit issues that were not independently verified by internal audit or by external auditors. We developed and distributed lists of these issues by division and requested status updates and supporting documentation in order to verify and close the issues. Since December 2007, Internal Audit has verified and closed 72 (33%) of these prior audit issues. We will continue to verify and close prior audit issues as time allows.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
47	08/29/97	Audit of Human Resources Section	Dx	01/20/98	
	IA	HRS-Training and Development	Px	03/03/00	09/30/00
			Px	08/29/00	01/31/01
			Tx	12/07/00	
			Px	11/14/07	12/31/07

Division: Human Resources

Issue: Employee training and development can be improved by formally identifying Department, division, section, and program training needs, developing a training plan to address those needs, monitoring the associated costs, and performing an assessment of the training.

Status: 11/14/07 - While a formal training plan has not been developed for the Department, there have been recommendations made to required training hours of management and staff on a yearly basis. This policy has not yet been approved and delivered to Department staff. Division management is responsible for determining specific program-related training to increase and develop staffs skills and to assess the training provided. The responsibility for monitoring any associated costs and budgeting for program training should be that of the Division so that training can be tailored to their needs.

Discussed dropping from further reporting at Dec. 2000 Audit Committee meeting.

12/07/00 - HRS has established a process that ties in to employees' evaluations. As supervisor feedback and documentation on training needs are identified on personnel evaluations or by other means, the information is forwarded to the Department's Training Coordinator for scheduling of training classes. Additionally, HRS has evaluations performed on Department-wide training classes, is cognizant of funds available for training and utilizes such funds on the most suitable and effective training available, within the resource constraints. However, it does not believe that it is necessary to establish similar formal Department-wide policies and procedures for Divisions and Sections that identify and procure their own training tailored for their needs. Annual operating budgets are built on management input and provide for the training budgets that Managers should be operating within. Management believes that limited resources, controlled by operating budgets, is sufficient to accomplish the objectives of the recommendation without establishing formal policies.

03/03/00 - Through an analysis of performance evaluation development needs the agency training coordinator will identify common coursework needed at the agency to enhance employee skills. HRS has established partnerships with other agencies and ACC to provide us with course catalogs and samples of curriculum that will help us meet these training needs. HRS is planning on meeting with the CFO and appropriate financial services designees to establish accounting codes for documenting training costs incurred by employees.

01/20/98 - A request has been made to the Division Director concerning implementing a tracking system for training of agency employees. This assessment is necessary in order to implement a complete training plan.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
252	07/24/00	Housing Trst Fnd-Subrecipient Monitoring, Rpt.#0.04	Px	08/24/00	12/31/00
	IA	The HTF program's subrecipient monitoring function.	Px	04/18/01	05/31/01
			Px	07/25/01	08/31/01
			Px	09/28/01	NR
			Pxx	01/7/02	NR
			Px	04/25/02	05/31/02
			Px	07/09/02	01/31/03
			Px	09/25/02	01/31/03
			Px	10/25/02	01/31/03
			Px	01/27/03	04/30/03
			Px	03/31/03	04/30/03
			Ix	04/30/03	
			Tx	06/10/08	

Division: Portfolio Management & Compliance

Issue: We recommend that Department management explore alternatives regarding the inspection of its construction projects, including (1.) establishing an agency-wide construction inspection section, (2.) formally evaluating the costs and benefits associated with contracting with third parties, (3.) formally evaluating the degree of overlap between HTF's construction inspection objectives and procedures and those of third parties and (4.) considering obtaining additional inspection resources.

Status: 06/10/08 - A reorganization of the Portfolio Management and Compliance Division is planned for September 1, 2008. A new section named "Physical Inspections" will be created. Three existing staff members will move to this new section and 4 additional inspectors will be hired. Please see attached organization chart, memo for creation of the section and draft job descriptions that have been developed.

05/15/03 - Reported to the Board as Implemented.

04/30/03:
1. An agency wide Construction Inspection Section was established in March, 2003 under Compliance Monitoring and Asset Management to coordinate inspection activities for all of the Department's construction programs.
2. Third-party inspections and plan review services have been formally evaluated, cost structures have been determined for specified services, and funding sources for these services have been identified.
3. The Department will accept inspection reports prepared by or for lenders, syndication firms, or outside funding entities when such other third party inspection services are already being conducted for the HTF, HOME and Preservation programs, which have substantial overlap with the Department's construction inspection objectives. Such third party reports will include a simple checklist verification of application selection criteria requirements.
4. Additional inspection resources have been considered and procured. Contractors are currently performing plan reviews to verify compliance with accessibility standards and requirements for LIHTC projects. This service will be extended to all internal construction financing programs. When the Department is not the primary lender, the Department will request copies of construction inspection reports prepared by or for outside lenders (#3 above). When the Department is the primary lender, the Department will utilize approved contractors to perform construction inspections.

03/31/03:
1. An agency wide Construction Inspection Section was established in March, 2003 under the Compliance Monitoring and Asset Management Division to coordinate inspection activities for all of the Department's construction programs. The section follows guidelines set forth in the reorganization procedures, the 2003 QAP, and other appropriate documents.
2. Third-party inspections and plan review services are being formally evaluated with respect to development type and other risk-based criteria. Preliminary investigation of potential costs for services is ongoing as specific services needed are identified.
3. It is anticipated that it will be necessary to utilize contract inspectors when the Department is the primary or only lender. It is anticipated that the Department will accept inspection reports prepared for/by lenders, syndication firms, funding entities (in lieu of TDHCA hiring inspectors) as described in the 2003 QAP when it is not the primary lender. The Department anticipates that contracted plan reviewers will continue to ensure and certify that building plans properly address accessibility requirements. The Department also anticipates requesting lender architects to inspect for selection criteria requirements.

01/27/03 - 1. A Construction Inspection Section is being formed under the Portfolio Management Division. The new section will follow guidelines that are set forth in the reorganization procedures, 2003 QAP, and other appropriate documents. 2. Coordination of construction inspection activities is being extended to all construction programs whenever developments are mutually funded or credit-allocated to eliminate repetition. For LIHTC projects, it is anticipated that the Department will accept inspection reports prepared for/by other lenders, syndication firms, funding entities (in lieu of TDHCA hiring inspectors) as described in the 3003 QAP. For those projects where the Department is the primary or only lender, it is anticipated that it will be necessary to continue to utilize contract inspectors. Current reorganization plans anticipate that two staff members will be responsible for oversight of inspections and plan review of non-LIHTC developments as well as risk based audit and review of lender inspections. 3. The possibility of continuing the outsourcing of plan reviews and inspections of the TDHCA first lien projects will be evaluated further as the new Construction Inspection Section capacity and resources are determined.

1. An agency wide Construction Inspection Section was established in March, 2003 under the Compliance Monitoring and Asset Management Division to coordinate inspection activities for all of the Department's construction programs. The section follows guidelines set forth in the reorganization procedures, the 2003 QAP, and other appropriate documents.
2. Third-party inspections and plan review services are being formally evaluated with respect to development type and other risk-based criteria. Preliminary investigation of potential costs for services is ongoing as specific services needed are identified. Formal request for proposals will follow.
3. It is anticipated that it will be necessary to utilize contract inspectors when the Department is the primary or only lender. It is anticipated that the Department will accept inspection reports prepared for/by lenders, syndication firms, funding entities (in lieu of TDHCA hiring inspectors) as described in the 2003 QAP when it is not the primary lender. It is anticipated that contracted plan reviewers will be needed to ensure and certify that building plans properly address accessibility requirements as well as program and award selection criteria. The Department also anticipates requesting lender architects to inspect for selection criteria requirements.

10/25/02 - An agency-wide inspection section is being established under the Compliance Division and is expected to work closely with an agency-wide draw request section also under Compliance. 2. Costs associated with contracting with third-party construction inspectors are currently being investigated by Compliance and HTF staff. Preliminary SOP's and drafts of formal requests for information and proposal are underway. 3. HTF is initiating a process whereby project architects provide written certification that building plans and final construction complies with detailed and specified program objectives. 4. Consideration for additional inspection resources will be reviewed as part of the agency-wide reorganization.

09/25/02 - The HTF inspection coordinator continues to coordinate the review of the contract inspectors for LIHTC, provide LIHTC/HTF management assessment of the quality and content of the contractors' services, and has provided management draft SOP's for consideration for post reorganization implementation. The HTF inspector coordinator is in the process of reviewing billings from inspectors and reviewing statements of work performed.

07/31/02 - The HTF inspection coordinator has been assigned the LIHTC duties to ensure consistency between the two programs.

Additionally, the HTF staff conducted a survey of the Department's needs and has forwarded the results to the Compliance Division, which has sponsored several working groups for the review of the summary and incorporation of the survey results into draft standard operating procedures (SOP) that address the construction inspection function.

After post re-organizational staffing assignments have been made, the appropriate staff will review, and if necessary modify, and implement the SOP's.

04/25/02 - The Compliance Division is leading a group to develop a SOP that encompasses the construction monitoring process for the Department. A first level draft of the SOP will be completed May 15, 2002.

1/7/02 - Progress on this issue appears to have stalled. Specific responsibility with commensurate authority & resources needs to be assigned to successfully implement these recommendations.

9/28/01 - Mngt. reports that a related survey has been turned over to the Compliance Div. for further action.

8/1/01 - Management reports that the results of an agency-wide survey are being compiled for analysis & that a report is planned for target date.

4/18/01 - Management reports that it continues to evaluate construction inspection alternatives.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
314	06/30/03	Selected Assistance Programs at the Department	Px	06/25/03	10/01/03
	SAO	The Community Affairs programs' activities at the Department and five subgrantees during fiscal years 2001/2002.	Px	09/17/03	01/31/04
			Px	11/21/03	02/29/04
			Px	02/24/04	03/31/04
			Ix	04/22/04	
			Px	12/20/06	
			Tx	11/14/07	04/01/08
			Px	04/22/08	06/02/08

Division: Community Affairs - Energy Assistance

Issue: Chapter 3-A: The Department requires its WAP subgrantees to use a specific energy audit software called Easy Audit, but it has not made cost-effective decisions regarding this software. The software cost $232,000 to develop and another $240,000 to upgrade and the Department elected to require the use of this software rather than an energy audit software application that the U.S. Department of Energy (DOE) developed and makes available to states at no charge. Additionally, the Department does not own the source code for this software effectively limiting itself to a sole-source contract for any future upgrades to this software.

Easy Audit also has weaknesses that limit its reliability and effectiveness and could lead to incorrect decisions regarding program eligibility determination. For example: (1) DOE approved the Department's use of Easy Audit, but with several restrictions that limit the use of Easy Audit to single-family dwellings and small multi-family dwellings. (2) DOE has identified several inaccuracies in the way Easy Audit computes several values, which could lead to incorrect decisions regarding which weatherization services, if any, should be performed. (3) The audit also identified other vulnerabilities and it is unclear whether the Easy Audit upgrade will address these weaknesses. These weakness include: (3A) The Department cannot ensure that the dwellings the subgrantees weatherized were eligible to receive weatherization services because (3Ai) electronic versions of the energy audit files that Easy Audit produces are not always accessible and (3Aii) the hard copies of these files do not display all the information necessary to determine which weatherization measures to provide, and (3B) Easy Audit uses default numbers for some costs and efficiency ratios that could lead to incorrect decisions regarding program eligibility determination and whether to perform certain weatherization services.

Recommendation - The Department should conduct and document a thorough cost-benefit analysis to determine which energy audit software – the free federal software or Easy Audit – is the best and most cost-effective energy audit software to use in the WAP program. This analysis should consider the costs associated with the addressing all federal restrictions on the Department's use of Easy Audit, as well as (1) upgrading Easy Audit to ensure that (1a) electronic energy audit files are accessible or (1b) the hard copy printouts display enough of the data that subgrantees input so that monitors can verify that subgrantees input the right prices and costs into the software, (2) removing cost and efficiency ratio default numbers from Easy Audit, and (3) adding edit checks to Easy Audit to verify that the cost and efficiency ratios entered are within acceptable ranges.

Status: 04/22/08 - The Energy Assistance (EA) Section and Information Systems Division (ISD) staff have implemented the testing protocol to capture the final "bugs" of the EZ3w energy audit system. The Energy Assistance Section has provided training to 30 of the 33 weatherization assistance program subrecipients. The "bugs" have been identified during the training and testing protocols.

EA, ISD, and the contracted vendor are in the process or correcting the "bugs." When the Department receives resolution and confirmation of corrections to the identified "bugs," the Department will launch the EZ3w energy audit system for use by the subrecipient network by June 2, 2008.

11/14/07 - The Energy Assitance Section plans to roll out the updated EZ3w Energy Audit vis internet by April 1, 2008.

12/20/06 - During the Internal Audit review of Energy Assistance Weatherization Assistance Program-Subrecipient Monitoring it was detemined this issue is still pending.

05/30/04 - Reported the issue as implemented, per management, to the Board at the May meeting.

04/22/04 - As of March 10, 2004, training has been completed for all 16 subrecipients providing multi-family weatherization services.

02/24/04 - Technical bugs detected in the Easy Audit modification have been corrected, and training of 13 out of 15 subrecipients that weatherize multi-family housing has occurred. A target date extension of 3/31/04 has been established to complete training for the remaining two subrecipients.

11/21/03 - Dual-purpose testing/training on the new EASY Audit was conducted by/for staff and four subrecipients the week of September 22, 2003. Technical bugs detected during the testing are being corrected. The target date has been extended to 2/29/04 to allow time for corrections to be made to Easy Audit, the related necessary testing of Easy Audit, and time for necessary training to the affected subrecipients on the enhanced Easy Audit software.

11/21/03 - Dual-purpose testing/training on the new EASY Audit was conducted by/for staff and four subrecipients the week of September 22, 2003. Technical bugs detected during the testing are being corrected. The target date has been extended to 2/29/04 to allow time for corrections to be made to Easy Audit, the related necessary testing of Easy Audit, and time for necessary training to the affected subrecipients on the enhanced Easy Audit software.

09/17/03 - The CRN contract for the EASY audit modification has been amended to track actual cost allocated on the BWR (Building Weatherization Report), prevent the exceeding of maximum amounts, and show when leveraged funds are used in conjunction with DOE funds to install a measure.

07/30/03 - The proposed modification of EASY Audit to a web based format will resolve the issue of the existence of audits and the maintenance of a back up disc, access to audit files, and display of audit data.

06/25/03 - The Department believes that it conducted a thorough cost-benefit analysis to determine which energy audit software was the best and most cost-effective energy audit software to use in the WAP program. In 1997, EASY Audit II was approved for multi-family and mobile home weatherization. The Department is currently working to convert EASY Audit II to EASY Audit III, which will be a web-based application and will address the audit recommendations relating to client application and eligibility determination process for single- and multi-family units, tracking expenditures, removing input defaults, and installing acceptable ranges of response for efficiency of appliances and acceptable R-values for various measures.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
403	06/02/06	OCI Draw processing and Subrecipient Monitoring Function for CFD	Px	06/02/06	08/31/06
	IA	Consideration of the OCI Contract for Deed programs' draw processing and subrecipient Monitoring functions from January 1, 2005 to June 2, 2006	Px	09/14/06	09/30/06
			Px	11/28/06	12/31/06
			Px	01/09/07	03/31/07
			Px	03/02/07	04/30/07
			Px	04/23/07	06/30/07
			Px	05/17/07	06/30/07
			Px	06/25/07	07/31/07
			Px	07/26/07	08/31/07
			Px	08/24/07	09/28/07
			Ix	11/14/07	

Division: Office of Colonia Initiatives

Issue: During the course of our review the following compliance exceptions were noted:

- Office of Colonia Initiatives (OCI) is not meeting the 400 CFD conversions per biennium required by General Appropriations Act riders.
- OCI is not implementing the guaranteed Contract for Deed Conversion Program required by Tex. Gov. Code Ann. § 2306.255.
- The CACST contract # 530021 has been servicing all the contract for deeds that had been converted to first lien notes and warranty deeds rather than sending payments to the Department for servicing. Additionally, mortgage liens are in the name of CACST rather than the Department. While contract terms reserves the Department's right to permit the Administrator to retain interest or return on investment of HOME funds for additional eligible activities by the Administrator, there was not adequate documentation in the files to support the Department granting this right to the Administrator. Section 21.3 of the contract states an Administrator agrees that all repayments (of loans), including all interest and any other return on the investment of HOME funds will be made to the Department.

We recommend the Department develop strategies to address each of these compliance issues.

Status: 11/14/07 - The last item to be resolved from this issue was that of CACST servicing their own loans and collecting program income. This issue is now resolved for the OCI as the OCI has fulfilled its responsibility for this contract. Any remaining programmatic issues with this contract and the Contract for Deed Conversion Program have been transferred to the new HOME Division. A letter was mailed to CACST requesting that they remit the program income generated from servicing their own loans; however, a refund has not yet been received by the Department.

08/24/07 - The transfer documents were mailed via overnight mail to CACST on August 22, 2007 for signature and recording. Letters were mailed on 8/20/2007 to all borrowers informing them that all payments need to be remitted to TDHCA. A meeting has been scheduled for 9/4/2007 with PM to discuss the transfer of the file.

07/26/07 - All of the documentation necessary to transfer the first lien position from CACST to TDHCA on all of the loans has been submitted to the Legal Division for preparation. OCI has scheduled a meeting with PMC on 7/31/07 to discuss entry of loans into IDIS system and other issues of management transfer of this contract.

06/25/07 - The OCI conducted a technical assistance visit to the Community Action Council of South Texas (CACST) on 6/13/07. All information necessary to transfer the first lien position from CACST to TDHCA on all of the loans was collected at that time. This documentation will be prepared and routed to the TDHCA legal division to process the documents. The completion of this task will end the direct involvement of OCI with this contract.

The Contract for Deed Conversion Program has been transferred out of OCI to PMC and the HOME Divisions. PMC will be responsible for determining the amount of program income that will need to be refunded to TDHCA as well as the amount of eligible expenses that can be reimbursed to CACST.

05/17/07 - Letter sent to Community Action Council of South Texas (CACST) requesting additional information in order to prepare the transfer lien documentation.

04/23/07 - The OCI has withheld payments on this contract until all matters regarding this file have been addressed, such as program income and other contractual requirements. The OCI met with Portfolio Management and Compliance (PMC) and HOME divisions in April to discuss concerns regarding the adequacy of documentation supporting draws paid in 2003 and 2004. The OCI will send another letter on 4/30/2007 requesting additional information and will conduct an on-site visit in May in an attempt to resolve this issue.

03/02/07 -CACST has sent some of the original loan documenation the Department requested. OCI is currently reviewing the documentation to determine the remaining documents the Department needs. Once all required documentation is received, TDHCA legal department will begin preparing the necessary legal documents to transfer the loans to TDHCA.

01/09/07 - OCI has requested from CACST all of the original loan documentation necessary to transfer the liens from CACST to the Department. This information was requested on 12/6/2006 and has not yet been received; the OCI expects all of the information to be received by 1/31/2007. Once the information is received, a request for a transfer of the liens will be made to the Legal Division; the SOPs of the Legal Division indicate that it will take up to 30 days to transfer the liens. OCI anticipates that this issue will be resolved by 3/5/2007. OCI expects to be able to close CFDC Contract No. 530021 with CACST by 3/31/2007.

11/28/06 - CACST has been informed by OCI that the permission they received was not valid and that they would have to transfer the liens to the Department. CACST agreed to do so after an arrangement was reached for the legal duties concerning the transfers to be carried out by the Department's Legal Division.

09/14/06 - In September 2006 OCI received a response to the monitoring issues letter sent to Community Action Council of South Texas in June 2006. OCI is in the process of evaluating the response. No drawdowns will be approved until the CA resolves the outstanding issues.

06/02/06 - The OCI cannot meet the 400 required contracts for deed conversions due to the amount and source of funding dedicated to this program. The HOME Investment Partnership Program requires the home to meet a certain standard which requires additional funds. Utilizing $4,000,000 of HOME funds will only provide approximately 80 contracts for deed conversions considering the required costs of rehabilitation necessary to bring the properties up to minimum standards. The Department will need to set-aside approximately $20,000,000 of HOME funds to meet this mandate which represents approximately half (1/2) of the total HOME allocation to the Department.

The OCI implemented the Contract for Deed Conversion Loan Guarantee Program in 2003. The Department entered into a partnership with Lone Star National Bank (the "Bank") to implement this initiative. The Bank converted the contracts for deed and carried the lien with the Department entering into a Guaranty Agreement with the Bank. The Legislation governing this program identified the HOME funds as the funding source. The HOME Program rules allow loan guarantees to stand for 2 years only. The OCI struggled with the Bank to originate these loans. The housing conditions and the amount of the loans discouraged the Bank from participating in this program. Many other lenders voiced the same concerns.

The OCI assumed the Community Action Council of South Texas (CACST) contract #530021 in January 2005. The OCI does not plan to process the last draw under this contract until all issues such as transferring the notes and deeds of trust to the Department and program income have

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
427	12/20/06	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring	Px	12/20/06	05/30/07
	IA	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px	03/02/07	05/30/07
			Px	04/23/07	05/30/07
			Px	06/26/07	07/30/07
			Dx	08/02/07	11/01/07
			DX	04/22/08	

Division: Community Affairs - Energy Assistance

Issue: Section 6
Assess and Satisfy Information Needs

The management information system is adequate to track most of the significant milestones . However, data fields have not been created to capture significant milestones relating to the delivery of the monitoring letter to the subrecipient's governing board chair and the subrecipient's response to the monitoring follow-up letter.

A text/memo field called Notes in the Monitoring Tracking System is used to capture the results of monitoring activities such as findings or conditions noted, required corrective actions, concerns and comments; however, the information recorded in the Notes field is unclear, not consistently posted, and, in instances, incomplete.

Management should assess its information needs to ensure they are being adequately satisfied and strategies, including computer and non-computer solutions, should be developed for capturing necessary data to operate effectively.

Status: 04/22/08 - Information Systems Division resources are currently allocated to projects assessed as higher priorities to the Department. Because of the focus on the Community Affairs Contract System project, deployment of the CDBG components of the Housing Contract System, and other high priority projects, an upgrade of the EA Monitoring Tracking System has not been presented to the Information System Steering Committee to be established as a new project. EA and ISD will submit an IS Project Request to the Steering in Committee for approval at its next meeting. The IS Project Request form will include estimates in technical and business team hours for development, testing, and deployment

08/02/07 - The Energy Assistance Section and the Information Systems staff have a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements that includes reports and increased narrative field size.

06/26/07 - Status comment same as 03/02/07.

04/23/07 - Status comment same as 03/02/07.

03/02/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

12/20/06 - During the planning of the Contract System being developed by the IS Division, the EA Section identified the daily operational needs of the Section. The Contract System will help the Section gather information needed to comprehensively monitor the subrecipients and make effective management decisions. The updated monitoring tracking system will assist management by providing information, documenting results, and summarizing desk and field monitoring reviews.

The EA Section will coordinate with IS to update the Intranet monitoring tracking system to incorporate text fields to capture findings and the events that occur up to, and including resolution of, the findings. Upon coordination with IS staff, the updated system will be implemented after completion of the 2006 monitoring visits. In the interim, EA is using an Excel monitoring tracking system to track this information.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
443	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	06/30/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px	06/25/07	11/28/07
			Px	08/28/07	11/28/07
			Px	09/10/07	11/28/07
			Px	11/14/07	11/28/07
			Ix	05/09/08	

Division: CDBG

Issue: Section 3-C
Accumulate Expenditures at Site-specific Project Level

The Department's system does not accumulate expenditure data at the site-specific project level to facilitate comparisons of actual expenditures against contract budgets during the processing of requests for payment. Without site-specific actual expenditure information, the Department does not have a reasonable means to ensure projects stay within budgets.

We recommend the Department identify and develop strategies to capture and accumulate actual financial data at the site-specific project level. We also recommend that this information be used in processing COG requests for payment to ensure expenditures are within budget and expenditure rates are reasonable.

Status: 05/09/08 - The COGs gained access to the Central Database (CDB) and the CDB subsequently became available to the COGs for use in late November 2007. Staff and the COGs now use the CDB as the system of record for CDBG Disaster Recovery expenditure and program data. The CDB is now being used to track site-specific expenditures of the Program.

11/14/07 - Staff are working with Information System staff to modify the Department's existing Central Database (CDB) to track the activities of the CDBG program. Until the CDB is modified, staff will continue to use the existing Oracle based system and will track site-specific expenditures in an excel spreadsheet. The system is now functional and the Department is working with the COGs for system access.

09/10/07 - PMC is currently conducting testing of the modifications to the CDB system and the project is on time for completion.

08/28/07 - Program staff are working with Information System staff to modify the Department's existing Central Database (CDB) to track the activities of the CDBG program. Until the CDB is modified, PMC staff will continue to use the existing Oracle based system and will track site-specific expenditures in an excel spreadsheet.

06/25/07 - Program staff are working with Information System staff to modify the Department's existing Central Database (CDB) to track the activities of the CDBG program. Until the CDBG is modified, PMC staff will continue to use the existing Oracle based system and will track site-specific expenditures in an excel spreadsheet.

05/01/07 - Staff have identified a potential strategy to track site-specific expenditures and are working with the Information Systems Division staff to more fully develop the strategy during the month of May.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
459	10/05/07	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification	Px	10/05/07	01/31/07
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: Section 1-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:
o 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.
o 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.

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.

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.

Status: 10/5/07 - 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

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
460	10/05/07	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification	Px	10/05/07	02/29/08
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: 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.

- 2 of the 79 files tested had a copy of the warranty deed submitted as documentation of site control. However, the warranty deed was not in the name of the applicant, nor expressed the ability to transfer the rights to the development owner.
- 1 of the 79 files tested had a copy of the property contract submitted as documentation of site control. However, the property information documented on the contract was unreadable, making in difficult to prove the contract was for the same property listed on the pre-application.

The Department should ensure all requirements of the pre-application process included in the QAP are reviewed and documented. Site control should be verified prior to an applicant moving forward in the application process.

Status: 10/05/07 - The audit recommendation will be addressed with staff and will be emphasized in the application review trainings for the 2008 HTC cycle. Two of the site controls in question were in the name of the general partner instead of the “applicant”. However, this was not known until the threshold review at full application. The applicant with the non-readable site did not file a full application. However, this issue will still be addressed. The review sheets will clarify improved procedures to address these findings and the issues will be addressed with staff in the training meetings for the 2008 HTC cycle.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
461	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	02/29/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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.

Errors were discovered in the pre-applications reviewed; 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, instances were discovered 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.

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.

Status: 10/05/07 - The audit recommendation will be accepted and implemented. The 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
462	10/05/07	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification	Px	10/05/07	01/31/08
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: 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.

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.

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.

Status: 10/05/07 - 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
463	10/05/07	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification	Px	10/05/07	01/31/08
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: 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 included sufficient information to support the Department's notifying the applicant as required.

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.

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.

Status: 10/05/07 - Multifamily staff will begin keeping hardcopies of the letters and emails sent until another system of notification is created.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
464	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	01/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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 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 i2ssued 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.

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.

Status: 10/05/07 - Multifamily will follow up on the unmitigated risks documented in the Risk Assessment.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
456	10/30/07 SAO	Hurricane Recovery Funds Administered by TDHCA and ORCA Report # 08-005 Consideration of all matters related to the administration of the two awards of Community Development Block Grant for Hurricane recover.	Px Ix	10/30/07 05/09/08	12/31/07

Division: CDBG

Issue: Chapter 1-A
The Department of Housing and Community Affairs should make improvements in the eligibility determination process for Community Development Block Grant funds to prevent noncompliance with requirements that help to deter fraud, waste, and abuse.
Councils of governments generally approved and disapproved the applications for Community Development Block Grant funds for hurricane recovery in accordance with existing award criteria and policies; however, certain issues should be corrected:
• Councils of governments did not always maintain adequate supporting documentation used to determine eligibility.
• Auditors tested 37 application files (for 13 approved applications and 24 disapproved applications) at the three councils of governments and identified the following:
o One council of governments did not have adequate documentation to support the income eligibility of 1 (7.7 percent) of the 13 approved applications.
O Documentation in files for the disapproved applications at one council of governments showed this organization used inconsistent methods to calculate applicants' annual income. This may have resulted in at least two eligible applicants being incorrectly deemed ineligible.

The Department of Housing and Community Affairs should establish and implement monitoring procedures for its oversight of councils of governments.

The Department of Housing and Community Affairs should:
• Continue to coordinate with councils of governments to identify and eliminate bottlenecks in the eligibility determination process for Community Development Block Grant hurricane recovery funds.
• Ensure that councils of governments have adequate staffing resources dedicated to administering the Community Development Block Grant hurricane recovery funds.
• Provide councils of governments with consistent written guidance related to maintaining adequate documentation used to make income eligibility determinations for Community Development Block Grant hurricane recovery funds (examples of documentation include pay stub information, tax returns, and documents related to property eligibility and environmental clearances). The Department of Housing and Community Affairs also should ensure that councils of governments adhere to the prescribed state and federal guidance in awarding Community Development Block Grant funds.
• Ensure that councils of governments apply consistent and approved methods to calculate the annualized income of applicants for Community Development Block Grant hurricane recovery funds.
• Develop and implement monitoring policies to ensure that councils of governments comply with Community Development Block Grant requirements and contractual obligations. These polices also should detail a process to determine whether applicants have received assistance from multiple agencies for the same damage claims.
• Implement all recommendations related to councils of governments' oversight listed above when it monitors the program management firm with which it intends to contract to administer the $222,371,273 from the second round of Community Development Block Grant funding.

Status: 05/09/08 - The Deparment worked with the COGs to identify and eliminate bottlenecks to determining eligibility. The COGs have determined eligibility for 100% of their contracted number of households to be served and have approximately 200 houses either completed or under construction. The Department is providing consistent written guidance on program eligibility requirements and all three COGs have been monitored for adherence to prescribed state and federal requirements including reviews to determine that household income is calculated correctly and that duplication of benefits is not occurring.

10/30/07 - The Division will continue to be engaged with the COGs on an ongoing basis to ensure the program continues to move forward. The Division recently established benchmarks for each COG to ensure that the level of assistance (housing) proportionately increases in relation to the number of applicants that are certified as eligible.

The Department agrees that each COG should allocate the resources necessary to administer their programs effectively and in accordance with the State Action Plan and contractual terms and will continue to encourage the COGs to evaluate their staffing needs on an ongoing basis and provide staffing resources that are commensurate with the administration of the program.

The Department agrees that written guidance is essential to ensure documentation supports program activities. The Community Development Block Grant (CDBG) Disaster Recovery Housing Implementation Manual (manual) was first provided to the council of governments in August 2006, was modified twice, and was formally updated in September 2007. The Division identified all the activities of the CDBG program, developed forms and defined requirements, procedures and guidance that not only include eligibility but every component of the program. In addition to state and federal requirements, the manual will be used as a monitoring resource and reference guide to ensure compliance with all rules and regulations to coincide with the implementation of the CDBG monitoring policies and procedures.

The Department will ensure that income is calculated correctly as part of its monitoring responsibilities that will be formalized through written policies and procedures.

The Department will finalize its monitoring methodologies in formal monitoring policies and procedures. In addition, the Department's set-up and draw processes act as oversight controls used to review eligibility documentation before program funds are expended.

As of October 2007, the Division has completed the procurement process for the second round of Community Development Block Grant funding and has initiated contract negotiations with its winning bidder. The State Action Plan provides specific guidance for Round I and II, however, the Department will determine if any first round recommendations impact the second round and will determine what additional compensating controls should be implemented.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
457	10/30/07	Hurricane Recovery Funds Administered by TDHCA and ORCA Report # 08-005	Px	10/30/07	11/15/07
	SAO	Consideration of all matters related to the administration of the two awards of Community Development Block Grant for Hurricane recover.			

Division: HOME

Issue: Chapter 1-B
The Department of Housing and Community Affairs should ensure that it secures environmental clearances and validates all costs on invoices that contractors submit.
The Department of Housing and Community Affairs should strengthen certain controls over the award and expenditure of these funds to prevent noncompliance with federal and state requirements that help to deter fraud, waste, and abuse.

According to the Department of Housing and Community Affair's Owner Occupied Assistance manual related to environmental clearance, an environmental review is mandatory and must be completed before a commitment or expenditure is made for any type of construction or rehabilitation; or before a physical action is taken on a site. Proceeding with construction and replacement prior to receiving environmental clearances increases the risk that funds could be spent on a home site that cannot be environmentally cleared. The auditors discovered during the test of project expenditures that construction or replacement costs were incurred before the environmental clearance was secured for 1 of 12 (8 percent) HOME Program projects.

In addition, the amount invoiced to and reimbursed by the Department of
Housing and Community Affairs was overstated by $60 for 1 of 13 (8 percent)
HOME Program project expenditures auditors tested. This occurred because the contractor overcharged for skirting material based on the size of the home. Although the amount of this overcharge is not significant, as the HOME Program expenditures for hurricane recovery increase, the sum of potential overcharges (whether intentional or not) could become significant.

Before determining eligibility for HOME Program funds, the Department of Housing and Community Affairs should ensure that all property owners are listed on the application for funds. For 1 of 12 (8 percent) HOME Program applications auditors tested, only one of two property owners was listed on the application (the other property owner was incarcerated when the application was submitted). Not listing all property owners on HOME Program applications could leave the Department of Housing and Community Affairs liable for demolishing property without obtaining approval from all property owners. In the case of this application, the damaged home was demolished to make way for new construction, and the demolition approval form was signed by only one of the two property owners.

The Department of Housing and Community Affairs should:
- Continue efforts to accelerate the expenditure of HOME Program funds for hurricane recovery.
- Implement its plans to align all significant responsibilities pertaining to the HOME Program within the chain of command of the HOME Program director.
- Ensure that it secures environmental clearances before incurring reconstruction or replacement costs for projects funded with HOME Program funds.
- Ensure that its staff validates all costs on invoices that contractors submit for projects funded with HOME Program funds, and compare those costs with amounts allowed under the contract.
- Ensure that all property owners are listed on applications for HOME Program funds (and particularly on the demolition approval form within the application).

Status: 10/30/07 - Effective October 1, 2007, the HOME Division was reorganized to make operational improvements to the HOME Program and incorporate the administration of all non-monitoring aspects of the State's HOME Program. The purpose of the reorganization is to offer an efficient operation, including the provision of more technical assistance, by consolidating all processes under one central area. A newly created team within the Division will provide technical assistance to HOME Contract Administrators and oversight and performance management of the Administrators to ensure timely and contractually-compliant completion of activities. The HOME Program contracts serving persons affected by Hurricane Rita have been prioritized by this team and will be assigned a Performance Specialist.

The HOME Division staff will continue to ensure that Contract Administrators meet all of the requirements of the HOME Program including obtaining environmental clearance prior to incurring construction costs, disbursement requests for validated costs, and requiring all property owners be listed on the application and provide approval of demolition. HOME Division staff will ensure compliance through desk-reviews performed on the review and approval process for setups and disbursements. Additionally, the Portfolio Management and Compliance Division staff will ensure compliance with all requirements through desk and on-site monitoring reviews. The HOME Division staff will issue a listserve announcement to remind Administrators of these requirements.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
458	10/30/07	Hurricane Recovery Funds Administered by TDHCA and ORCA Report # 08-005	Px	10/30/07	03/18/08
	SAO	Consideration of all matters related to the administration of the two awards of Community Development Block Grant for Hurricane recover.	Ix	05/19/08	

Division: Office of Colonia Initiatives

Issue: Chapter 1-C

The Department of Housing and Community Affairs contracted with three non-profit organizations to award hurricane recovery funds through its Bootstrap Program (see text box for details). As of August 14, 2007, only one of those organizations had expended Bootstrap Program funds on home improvements. Specifically, that non-profit organization has expended $79,400 (16 percent) of the $488,800 in total Bootstrap Program funds awarded to the organization and dedicated to hurricane recovery.

Two non-profit organizations had not provided any assistance to homeowners because of issues in staffing and one of these two organizations has had three different executive directors since it contracted with the Department of Housing and Community Affairs to implement the Bootstrap Program in June 2006. Additionally, one of this organization's previous executive directors did not communicate critical information to staff. This resulted in staff committing resources to selecting applicants who they thought were eligible, only to learn later that these individuals were not eligible because they were requesting loan funds from other sources that would exceed the combined $60,000 limit.

Four of eight (50 percent) applications that auditors tested for Bootstrap Program eligibility did not include the owner-builder education certificate.

The Department of Housing and Community Affairs should:

- Identify and eliminate bottlenecks delaying the delivery of hurricane recovery funds through the Bootstrap Program.
- Deobligate Bootstrap Program funds awarded to organizations that cannot fulfill their responsibilities and reallocate those funds to other organizations that can fulfill program requirements. Alternatively, it should reallocate Bootstrap Program funds to another program capable of delivering hurricane recovery funds to eligible individuals.
- Ensure that Bootstrap Program participants obtain the required ownerbuilder education certificates and that the Department of Housing and Community Affairs maintains this documentation.

Status: 05/19/08 - On February 7, 2008 Texas Bootstrap Loan Program Contract #857619 with Self Help Housing of East Texas was terminated and all remaining funds ($612,000) were deobligated from this contract.

On May 16, 2008 Texas Bootstrap Loan Program Contract #857618 with Port Arthur Affordable Housing Corporation was terminated and all remaining funds ($780,000) were deobligated from this contract.
The remaining Texas Bootstrap Loan Program Contract #857620 with Habitat for Humanity Texas was granted an extension until September 30, 2008.

10/30/07 - The principal delays in delivering hurricane recovery funds to the affected populations through the Bootstrap Program resulted from unforeseen capacity issues including inexperience with the program, personnel issues, and lack of experience with self-help construction methodologies on behalf of the nonprofit organizations. Difficulties in obtaining leveraged funds from other sources – a virtual necessity due to program funding caps, have also hindered the production of homes. OCI staff will continue to work closely with the organizations awarded funding and to assist them in the administration of the program.

OCI staff will be recommending that funds be deobligated from nonperforming contracts. OCI staff will also recommend to the Executive Director and the Department's Governing Board that these deobligated funds be placed into the Reservation System with a set-aside for counties that were affected by Hurricane Rita.

TDHCA will maintain the certificates in the contract files in accordance with program record retention policies.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
469	12/11/07	Multifamily 9% Housing Tax Credit Program - Application and Award Processes	Px	12/11/07	03/31/08
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter1-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.

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.

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.

Status: 12/11/07 - Staff will implement the audit recommendation and conduct independent reviews.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
470	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	02/29/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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.

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.

Status: 12/11/07 - 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
471	12/11/07	Multifamily 9% Housing Tax Credit Program - Application and Award Processes	Px	12/11/07	03/31/08
	IA	Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.			

Division: Multifamily- Housing Tax Credit Program

Issue: 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. 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. 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.

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.

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.

Status: 12/11/07 - Staff will implement the audit recommendations and create a system to track deficiencies and changes to the application.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
472	12/11/07 / IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes / Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	03/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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".

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.

Status: 12/11/07 - Staff will implement the audit recommendation and create a system to document deficiencies and changes.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
473	12/11/07 / IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes / Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	03/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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.

The Department should ensure that the application review sheets include all of the QAP requirements.

Status: 12/11/07 - 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
474	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	07/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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 is posted (application scoring log); however, this log only contains summary information, and does not contain details as required by statute.

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. In addition, the Department should post the scoring sheets as required.

Status: 12/11/07 - Staff will implement the audit recommendations.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
475	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	09/30/08

Division: Multifamily- Housing Tax Credit Program

Issue: 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. 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.

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.

Status: 12/11/07 - Staff will implement the audit recommendations.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
465	12/19/07 Deloitte & Touche	Report to Management- year ending August 31, 2007 Annual independent audit of the Department's general purpose financial statements	Px Ix	12/19/07 04/22/08	01/31/08

Division: Information Systems

Issue: Oracle Security and Data Updates – PeopleSoft / Oracle

The Oracle DBA and PeopleSoft support teams utilize a shared super user account to perform administrative activities. Accountability can not be established by using these shared accounts. Actions taken using these accounts can not be tied back to an individual user. These accounts are assigned to the DEFAULT profile, which does not allow for secure password parameters (periodic password changes, maintaining password history, enforcing password history, etc.).

Additionally, default passwords have not been changed for the accounts OUTLN and SYSADM for the PeopleSoft and Oracle systems.

The PeopleSoft support team also makes changes directly to financial data stored in the Oracle database (without going through the application interface). These changes are requested by business users and entered into the database via the SYSADM account in Oracle, which, as previously mentioned, is shared by the PeopleSoft support team. There is not a way to produce a system report of all data changes made for the period.

Individual super user accounts should be used to established accountability. In addition, all user accounts should be assigned to a profile other than the DEFAULT profile, with strong password and security settings. The default passwords for OUTLN and SYSADM should be changed. As it relates to data updates, individual user accounts should be used to make changes directly to the financial data. This allows for accountability when changes are made. In addition, all requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

Status: 04/22/08 - Since January 2008, PeopleSoft system changes and related Oracle changes have been performed using individual accounts. In April 2008, these individual Oracle accounts were assigned to custom profiles that follow the agency's standard password parameters. Also on April 6, 2008, Information Systems Division (ISD) changed the SYSADM account password.

12/19/07 - In October 2007, the Information Systems Division (ISD) created individual super user accounts for the Oracle DBA and PeopleSoft administrators. The PeopleSoft administrators now use these accounts to make direct data updates requested by the Financial Administration Division. Per SOP 1264.08, “Requesting IS Services,” management or team leader approval is required through email and this email is copied into the associated work order.

By January 31, 2008, these accounts will be assigned to custom profiles that follow the agency’s standard password parameters. Also by January 31, 2008, most PeopleSoft system changes and related Oracle database changes will be performed using individual accounts. In limited cases where the SYSADM account is required, staff will request and receive ISD management approval to use the SYSADM account through email in advance of making the changes and will paste the text from the email into a work order to document approval.

The OUTLN account was locked on September 20, 2007. Because several Integrated Statewide Accounting Systems (ISAS) interfaces and other custom Texas features depend on the SYSADM account and password, ISD is currently performing extensive testing prior to modifying the SYSADM password. This password will be changed by January 31, 2008

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
466	12/19/07 Deloitte & Touche	Report to Management- year ending August 31, 2007 Annual independent audit of the Department's general purpose financial statements	Px Ix	12/19/07 04/22/08	

Division: Information Systems

Issue: Mitas Vendor Access / Change Management

The Mitas application is supported by a third party vendor, and a formal policy has been created for granting the vendor temporary access to the system. However, there is no formal documentation that can evidence management approval and successful testing within a test environment before a change is made by the vendor in the production environment.

Emails or other formal documentation should be retained to evidence testing and approvals for all production changes to the Mitas application.

Status: 04/22/08 - On February 29 2008, Information Systems Division (ISD) updated the applicable written procedures to include the exact process for using the shared email folder to document management approval and successful testing of vendor changes. Financial Administration received and approved the changes on March 19. 2008.

12/19/07 - On December 18, 2007, the Information Systems Division (ISD) created a shared email folder to house correspondence related to Mitas system access, testing, and software changes. Mitas system users and ISD staff are able to copy email correspondence to this folder. By January 31, 2008, the Financial Administration Division and ISD will update the applicable written procedures to include the exact process for using the folder to document management approval and successful testing of vendor changes.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
467	12/19/07 Deloitte & Touche	Report to Management- year ending August 31, 2007 Annual independent audit of the Department's general purpose financial statements	Px Ix	12/19/07 04/22/08	

Division: Information Systems

Issue: Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)

Policies have been created to govern network and systems software change management. However, the policies do not require that documentation be created and maintained for each change to document management’s approval (with the exception of changes to the firewall).

Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

Status: 04/22/08 - SOP's have been updated to include procedures for documentation of changes made to network and operating systems. The SOP's also include staff authority to test, approve and implement installation and confiquration chages to server and network hardware and software.

12/19/07 - On December 18, 2007, management updated SOP 2264.14, “Network Change Procedures”.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
468	12/19/07 Deloitte & Touche	Report to Management- year ending August 31, 2007 Annual independent audit of the Department's general purpose financial statements	Px	12/19/07	12/31/08

Division: Financial Administration - Financial Services

Issue: Recently Issued Government Accounting Standards Board ("GASB") Statements

Begin reviewing the new GASB Statements No. 45, 47, 48, 49, 50, 51 and 52 and their implications to determine the potential impact on the TDHCA's financial statements.

Status: 12/19/07 - Management will proactively review these statements for their potential inplications for TDHCA's financial statements.

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation;
D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Status of the Internal Audit Division's Fiscal Year 2008 Work Plan.

Required Action

None, information item only.

Background

Internal Audit has completed three of the seven audits on the fiscal year 2008 audit work plan. These include:

- The 9% Housing Tax Credit Program's Pre-Application and Notification Process,
- The 9% Housing Tax Credit Program's Scoring, Threshold and Awards Process, and
- The Draw Processing and Monitoring Functions of the Community Affairs Division's Community Services Block Grant and Emergency Shelter Grant Programs

We are working on the following audits:

- The Office of Colonia Initiatives' Bootstrap Program, and
- The Office of Colonia Initiatives' Border Field Offices.

We expect to have these two audits completed by August 31, 2008. We will then start on the last two projects, both of which are audits of the CDBG Disaster Recovery Program. These two projects will complete our work plan and will carry over into fiscal year 2009.

In addition:

- We have completed a review and revision of Internal Audit's charter and policies and procedures to comply with the most recent revision of the *Government Auditing Standards.*
- We are continuing our efforts to follow up on prior audit issues from our database.
- We are continuing to coordinate and provide assistance to external auditors. So far this year there have been nine groups of external auditors that have performed or are currently performing work at the Department.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT PLAN
FISCAL YEAR 2008

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	**General Objectives**	**Current Status**
LIHTC Program – Phase I (carryover from FY2007)	Phase I:Pre-Application and Notification: To review the pre-application and notification phases of the Low Income Housing Tax Credit (LIHTC) Program for the 2007 tax application cycle to: ➢ 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. *(Note: This project was a carryover from the FY 2007 work plan. It was completed in October.)*	Report Released October 5, 2007
LIHTC Program – Phase II (carryover from FY2007)	Phase II: Scoring, Threshold and Awards: 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: ➢ 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. *(Note: This project is a carryover from the FY 2007 work plan. It is currently underway.)*	Report Released December 12, 2007
Community Affairs – Community Services Block Grant and Emergency Shelter Block Grants	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 : ➢ 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.	Report released June 11, 2008

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	**General Objectives**	**Current Status**
OCI – Border Field Program	To review the border field staff monitoring process for all OCI programs to ensure that: ➢ draw processing policies and procedures provide reasonable assurance that subrecipient draw requests for reimbursement of expenditures are : o adequately supported o comply with relevant laws, regulations, policies, and contract provisions o properly authorized/approved ➢ 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.	Started in June 2008. The anticipated completion date has been extended to August 2008.
Office of Colonia Initiatives – Bootstrap Program	To review the Office of Colonia Initiatives' Bootstrap program to determine if: ➢ 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. 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.	Started in June 2008. The anticipated completion dates has been extended to August 2008.
CDBG Disaster Recovery Program (carryover from FY2007)	Phase II: Testing of Set Ups and Draws To assess whether the Department's payment and draw processing provides reasonable assurance that sub-recipient requests for reimbursement of expenditures: ➢ 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	Fieldwork anticipated for August 2008.

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	**General Objectives**	**Current Status**
	➢ are properly authorized or approved. *(Note: This project was delayed from FY 2007 in order to have a sufficient number of payments to test.)*	
CDBG Disaster Recovery Program (carryover from FY2007)	<u>Phase III: Sub-recipient Monitoring</u> • To evaluate the sub-recipient monitoring procedures, processes and on-site visits to assess whether the program ensures that sub-recipients: ➢ 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. *(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.)* 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.	Fieldwork anticipated for August 2008.

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 2009 as required by the Texas Internal Auditing Act.	December 2008
FY 2008 Annual Internal Audit Report	To prepare an annual internal auditing report for FY 2008 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 *Government Auditing Standards.*	Completed in June, 2008
Coordinate External Auditors	To coordinate and assist external auditors.	As Needed

Internal Audit Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation of the Status of External Audits

Required Action

Review the Status of External Audits

Background

The Status of External Audits provides an overview of the status of external audits currently in progress, recently completed, or anticipated in the near future.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
June 26, 2008

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Health and Human Services	Review of the Department's Community Services Block Grant Program	Pending	Anticipated to start in August, 2008.
KPMG	The scope of the financial portion of the Statewide Single Audit includes an audit of the State's basic financial statements for fiscal year 2008 and a review of significant controls over financial reporting and compliance with applicable requirements.	Planning	Planning has started. This audit will be completed around January, 2009.
U.S. Department of Housing and Urban Development	Testing of the of the Department's Disaster Recovery Program framework.	Pending	Anticipated to start in July, 2008.
Deloitte and Touche	Annual opinion audits: • Consolidated Financial Statements for the FYE August 31, 2007 • Revenue Bond Enterprise Fund for the FYE August 31, 2007 • Opinion Audit on FY 2007 Computation of Unencumbered Fund Balances	Planning	Planning has started. This audit will be completed in December, 2008.
Comptroller of Public Accounts	A post-payment audit of certain payroll, purchase, and travel transactions.	Reporting	Anticipated report release in July or August 2008.
State Auditor's Office	Audit of the Single Family Mortgage Revenue Bond Program	Reporting	Fieldwork is complete. Anticipated report release in August, 2008.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
June 26, 2008

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Housing and Urban Development	Review of the Department's Disaster Recovery Program framework.	Reporting	Anticipated report release early July 2008.
Department of Energy	Review of the Department's Weatherization Assistance Program	Completed	Report released May 14, 2008.
KPMG	Follow-up on prior audit issue related to the Department incorporating a control to ensure delinquent A-133 reports are monitored and appropriate communications and actions are taken with the respective subrecipients.	Completed	This issue was cleared in the December 29, 2007 Federal Portion of the Statewide Single Audit Report for Year Ended August 31, 2007.
Deloitte and Touche	Annual Opinion Audits: • Consolidated Financial Statements for the FYE August 31, 2007 • Revenue Bond Enterprise Fund for the FYE August 31, 2007 • Opinion Audit on FY 2007 Computation of Unencumbered Fund Balances	Completed	Report released December 19, 2007.
State Auditor's Office	To determine whether the Department appropriately awarded and disbursed hurricane recovery funds.	Completed	Report released October 30, 2007.

OFFICE OF COLONIA INITIATIVES

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation, Discussion and Possible Approval of a Colonia Self Help Center (SHC) Program Award to Hidalgo County through Community Development Block Grant (CDBG) Funding.

Required Action

Approve or deny the Colonia SHC Program award recommendation to Hidalgo County.

Background

Colonia Self-Help Centers Program

The Colonia Self-Help Centers (SHC) were created by Acts of the 74th Legislature of the state of Texas in 1995. The purpose of a Colonia SHC is to assist individuals and families of low-income and very low-income to finance, refinance, construct, improve or maintain a safe, suitable home in the designated colonia service area or in another area that the Texas Department of Housing and Community Affairs (TDHCA) has determined is suitable. Pursuant to Subchapter Z of Chapter 2306 of the Texas Government Code, TDHCA has established Colonia SHCs in Cameron/Willacy, El Paso, Hidalgo, Starr and Webb Counties. If TDHCA determines it necessary and appropriate, statute allows for Colonia SHCs to be established in any other county if the county is designated as an economically distressed area under Chapter 17 of the Water Code. In 2001, the Department opened two additional centers in Maverick and Val Verde Counties to address the needs of colonias in those counties.

On February 1, 2007, the TDHCA Governing Board approved the first edition of the Colonia SHC Program Rules. The purpose of the rules was to make the program more transparent, reflect the self-help concepts included in statute and facilitate the completion of SHC activities within the original contract period. The development of program rules has led to a more structured and uniform funding proposal process.

TDHCA will allocate no more than $1.2 million per Colonia SHC contract in accordance with the Program Rules. If there are insufficient funds available from any specific year to fully fund a proposal, the affected county may accept the amount available at that time and then wait for the remainder to be funded with a contract utilizing the next year's funding allocation.

According to statute, it is the responsibility of TDHCA to designate a geographic area for the services provided by each SHC. In consultation with the Colonia Resident Advisory Committee (C-RAC) and the county, TDHCA designates 5 colonias in each service area to receive concentrated attention from that SHC. The purpose of the C-RAC is to advise the TDHCA Governing Board regarding the needs of the colonia residents, programs that are appropriate and effective for Colonia SHCs and activities that may be undertaken to better serve colonia residents. The county submitting a funding proposal is required to conduct and submit a needs assessment for each colonia designated to receive that concentrated attention in the proposal. Based on the results of the assessments, the county must develop a scope of work to be conducted for each colonia in accordance with the eligible activities as defined in statute and the Program Rules. The scope of work will be outlined in a funding proposal and these proposals will be formally presented to C-RAC (before the 30th day preceding the date on which a contract is scheduled to be awarded by the Board as required by Section 2306.585 (b) of the Texas Government Code) to receive their comments and suggestions in fulfillment of C-RAC's obligation to the Board. On May 23, 2008, a C-RAC meeting was conducted for this purpose in Pharr, Texas.

Colonia SHC Funding

The Colonia SHCs are funded through a 2.5% set-aside (approximately $1.8 million per year) of the annual Community Development Block Grant (CDBG) non-entitlement allocation to the state of Texas. The management of CDBG funds is dictated through a Memorandum of Understanding (MOU) between the Office of Rural Community Affairs (ORCA), which receives the allocation from the US Department of Housing and Urban Development (HUD), and TDHCA. The Colonia SHC contracts are four-year contracts as specified by statute; however, if contractor localities are able to complete all contractual requirements before the expiration of the four-year contract period, they may go ahead and submit a proposal for a new contract. Proposals for new funding will be placed on a first-come, first-serve waiting list until there is sufficient funding available.

Colonia SHC Award Descriptions

Hidalgo County

The Commissioners' Court of Hidalgo County awarded the principal subcontract to service the Colonia SHC to a local nonprofit, Proyecto Azteca. This will be Hidalgo County's fourth Colonia SHC contract.

Contractor: Hidalgo County

Contact: The Honorable J.D. Salinas, III

Address: 100 E. Cano
Edinburg, Texas 78539

Leveraging: The Colonia SHC is encouraged to apply for other funding sources with which to leverage this award, specifically the funding offered through the HOME Program and the Texas Bootstrap Loan Program.

Purpose of Contract: The County of Hidalgo, through their contract with Proyecto Azteca, shall provide housing and community development to the following colonias: LJ # 1, Muniz, South Tower Estates, Sanchez Ranch and Linda Vista Estates. The County proposes to do the following housing and community development activities:

Performance activity	Proposed	Budget
Acquisition		**$40,000.00**
• Contract for Deed Conversion and Acquisition of colonia lots for new home construction	10 titles	$40,000.00
Public Service		**$33,995.00**
• Construction Skills Training	15 classes	$9,195.00
• Homeownership Classes	15 classes	$7,200.00
• Solid Waste Removal	5 activities	$7,600.00

• Technology Access	15 classes	$7,200.00
• Tool Library Program	1 library	$10,000.00
Residential Rehabilitation		**$253,405.00**
• Colonia Housing Rehabilitation	13 homes	$103,405.00
• Colonia Self-Help Home Repair	50 homes	$150,000.00
Residential Reconstruction (Not Feasible for Rehab)	10 homes	**$335,000.00**
New Construction (Other 105 (a) 15)	12 homes	**$402,000.00**
Homeownership Assistance	12 homes	**$15,600.00**
Administration		**$120,000.00**
Total		**$1,200,000.00**

The Colonia SHC contract will benefit three thousand five hundred seventy-three (3,573) colonia residents.

Hidalgo County's Previous Performance

Hidalgo County has successfully completed the project activities of three previous contracts. The most recent prior contract expired on April 30, 2007. The county received an on-site final monitoring visit conducted by the Office of Rural Community Affairs (ORCA) on February 27, 2008 and has submitted all required close-out documentation. No findings resulted from the monitoring visit; programmatic closure is pending.

Recommendation

Approval of Colonia SHC funding award to Hidalgo County for the operation of the Hidalgo County Colonia SHC in the amount as described below.

NAME	FUNDING YEAR	TOTAL AWARD
Hidalgo County	$812,517 FY 2007	$1,200,000
	$387,483 FY 2008	

REAL ESTATE ANALYSIS DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions of Cost Certification Submission

Requested Action

Approve or amend staff's recommendation to extend the Cost Certification submission deadline for certain 2005 Housing Tax Credit developments pursuant to §50.20(l) of the 2008 Qualified Allocation Plan and Rules.

Background and Recommendations

Housing Tax Credits allocated to developments pursuant to the Qualified Allocation Plan and Rules ("QAP") must complete the Department's Cost Certification process prior to the issuance of IRS Forms 8609. The IRS Form 8609 is the Internal Revenue Service document that must be submitted with a federal income tax return in order to enable a taxpayer to claim the Housing Tax Credit. The Cost Certification process allows the Department to ensure that a development was constructed according to the representations made in the application and that sufficient eligible costs were incurred to support the allocation of Housing Tax Credits prior to issuing IRS Forms 8609 to the owner.

Pursuant to §49.15(a) of the 2005 QAP, "Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service." "Developments receiving a Carryover Allocation must be placed in service by December 31 of the second year following the year the Carryover Allocation Agreement was executed."

Extensions of the Cost Certification deadline are allowed pursuant to §50.20(l) of the 2008 QAP; however, "such request must be submitted to the Department no later than the date for which the extension is being requested. All requests for extensions totaling less than 6 months may be approved by the Executive Director and are not required to have Board approval."

2005 Housing Tax Credit ("HTC") developments awarded from the 2005 State Housing Credit Ceiling ("Ceiling") and Tax-Exempt Bond developments that placed in service in 2007 were subject to an April 1, 2008 Cost Certification deadline. As of April 1, 2008, 19 developments which were expected to submit a cost certification this year did not submit the required Cost Certification documentation and did not request an extension of the Cost Certification deadline. Extensions were approved for 12 of these developments during the May 8, 2008 Board meeting.

Since the May Board meeting, five additional developments have submitted the $2,500 extension fee and requested an extension of the Cost Certification submission deadline: one 2005 9% HTC development, three 2005 Rural Rescue HTC developments and one 2005 Tax-Exempt Bond development.

Because the extensions were requested after the date the Cost Certifications were due to the Department, the extensions are not allowed to be approved by the Executive Director pursuant to the 2008 QAP. The following table lists the developments for which a Cost Certification deadline extension is being requested.

TDHCA Number	Type	Development Name	City	Region	Award Amount	Amount of Additional Credits	Date of Extension Request	New Cost Certification Deadline Requested
05001 / 08001	2005 9% / Rural Rescue	Mountainview Apartments	Alpine	13	$66,861	$2,010	4/30/08	10/1/08
05002 / 08002	2005 9% / Rural Rescue	Villa Apartments	Marfa	13	$32,432	$1,143	4/30/08	10/1/08
05003 / 08003	2005 9% / Rural Rescue	Oasis Apartments	Fort Stockton	12	$55,422	$1,946	4/30/08	10/1/08
05101	2005 9%	Creek Crossing Senior Village	Canyon	1	$393,547	N/A	5/30/08	N/A – Cost Certification Received
05447	2005 4% / Bond	Providence Place II	Denton	3	$1,071,070	N/A	5/20/08	8/1/08

<u>05101 Creek Crossing Senior Village</u>
Creek Crossing Senior Village previously requested and received an extension of the Cost Certification submission deadline; the extension request was received prior to April 1, 2008 and was approved by the Executive Director with a new submission deadline of May 15, 2008. The development owner did not submit the Cost Certification by the May 15, 2008 deadline, but rather submitted the Cost Certification on May 30, 2008 with an additional $2,500 check for another extension. Because the Department has received the Cost Certification, staff recommends approval of the extension.

<u>05447 Providence Place II</u>
Providence Place II is a 2005 Tax-Exempt Bond development. Because Tax-Exempt Bond developments do not receive an allocation of Housing Tax Credits from the State Housing Credit Ceiling, the Department is not required to recapture unused tax credits by a date certain. In addition, the amount of Housing Tax Credits allocated by a state to Tax-Exempt Bond developments does not affect the state's ability to receive tax credits from the national pool of unused credits from other states. Because a delay in the receipt of the Cost Certification for this development does not put at risk any of the development's potentially unused tax credits, staff recommends that the Board approve the extension request for development number 05447, Providence Place II with the new Cost Certification submission deadline requested above.

<u>05001 / 08001 Mountainview Apartments; 05002 / 08002 Villa Apartments; 05003 / 08003 Oasis Apartments</u>

Mountainview Apartments, Villa Apartments, and Oasis Apartments are 9% Housing Tax Credit Rural Rescue developments that included the assumption of existing USDA loans. Doublekaye Corporation, which is owned by Gary and Laure Kersch, is the general partner of all three developments. According to the owner, the extensions are being requested because final costs have not been determined because of complications associated with working with USDA. The owner has confirmed that to date, Villa Apartments has received Certificates of Substantial Completion; Mountainview Apartments should receive Certificates of Substantial Completion in late June; and the rehabilitation of Oasis Apartments should be complete by the end of July.

Doublekaye Corporation is also the general partner for three 2004 9% Housing Tax Credit developments, 04294 Lantana Northridge Apartments, 04293 Lantana Southridge Apartments, and 04291 Saltgrass Landing Apartments. In March 2008 USDA accelerated the loans for all three properties due to the failure of the owner to maintain reserve accounts; maintain the properties; and comply with Rural Development regulations. In addition to receiving 2004 tax credits, these developments received an additional allocation of Housing Tax Credits from the 2007 Ceiling which the owner returned to the Department during 2007. The Department has not received the Cost Certifications or requests for extension of the Cost Certification deadline for these 2004 developments.

Staff is concerned about the effect of the extensions on the Department's ability to reuse any unused tax credits. Pursuant to Treasury Regulation §1.42-14 the Department has until the 180th day following the close of the first year of the credit period to recapture tax credits in order to be able to reallocate the credits. The deadline to recapture credits for developments that began the credit period in 2007 is June 29, 2008; therefore, if the developments began the credit period in 2007, the Department will be unable to recapture and reallocate any unused credits. Each 2005 development also received an allocation of 2008 tax credits, which must be allocated by December 31, 2008. Any tax credits from the 2008 State Housing Credit Ceiling that are unable to be allocated by December 31, 2008 may jeopardize the Department's ability to receive an award of Housing Tax Credits from national pool for 2009. In order to mitigate the potential loss of tax credits, §50.20(m) of the 2008 QAP does allow for the collection of a penalty fee for any lost tax credits in an amount equal to the annual credit amount of the lost credit. In the case of these 2005 developments, this penalty fee is applicable if unused 2005 credits are not returned and IRS Forms 8609 can not be issued within 180 days of the end of the first year of the credit period. The owner has been made aware of this penalty fee.

In addition to the extension request, the owner is requesting that the $2,500 extension fee for each development be refunded because the delays were beyond the owner's control.

Staff recommends that the Board approve the extension requests with the new Cost Certification submission deadline requested above. Staff is permitted under the QAP to penalize the owner in the event that any unused 2005 tax credits are unable to be reallocated. In addition, staff may reallocate any unused 2008 tax credits until December 31, 2008. Staff recommends that the

Board deny the request for a refund of the extension request fee because of the staff time involved in processing the extension requests for consideration by the Board.

Recommendation

1. 05101 Creek Crossing Senior Village – Staff recommends that the Board approve the extension request for Creek Crossing Senior Village. Because the Cost Certification has been received, a new deadline need not be set.

2. 05447 Providence Place II – Staff recommends that the Board approve the extension request for development number 05447, Providence Place II with the new Cost Certification submission deadline of August 1, 2008.

3. 05001 / 08001 Mountainview Apartments; 05002 / 08002 Villa Apartments; 05003 / 08003 Oasis Apartments
    - Staff recommends that the Board approve the extension request for development numbers 05001 / 08001 Mountainview Apartments, 05002 / 08002 Villa Apartments, 05003 / 08003 Oasis Apartments with the new Cost Certification submission deadline of October 1, 2008.
    - Staff recommends a denial of the request for a refund of the extension request fee for each development.

COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of Section 8 Streamlined 2009 Annual Public Housing Agency (PHA) Plan.

Required Action

Staff recommends approval of the proposed Streamlined 2009 PHA Plan for the Texas Department of Housing and Community Affairs (Department) Section 8 Program written in compliance with 42 U.S.C.1437(c-1)(a) and (b).

Background

Section 511 of the Quality Housing and Work Responsibility Act (QHWRA), (Public Law No. 105-276), signed into law on October 21, 1998, made several changes to the requirements for entities that administer the Section 8 Housing Choice Voucher Program (HCVP). 42 U.S.C. 1437(c-1)(b) requires public housing agencies such as the Department to submit an Annual Plan.

On June 24, 2003 (FR-4753-F-02), HUD published in the *Federal Register* (Vol. 68, No. 121, Page 37664) a final rule "Deregulation for Small Housing Agencies," that simplifies and streamlines HUD's regulatory requirements for small PHAs that administer the public housing and voucher assistance programs under the United States Housing Act of 1937.

PHAs administering only vouchers are eligible to submit the streamlined Annual PHA Plan. The 2009 plan covers the fifth and final year of the five year plan that is currently in effect. The streamlined annual plan is limited to reporting only a few select components, and a certification listing any components (programs and policies) changed since submission of the last Annual Plan.

The TDHCA Board approved the 2008 Section 8 Streamlined PHA Plan on January 31, 2008. The Department received email confirmation from the Fort Worth HUD office of approval of the 2008 Streamlined PHA Plan on June 10, 2008. The official HUD approval letter has not been received.

The 2009 Streamlined PHA Plan is the same as the 2008 previously submitted to HUD, there are no changes. Upon board approval the Department will publish a notice forty-five days prior to scheduling a public hearing to receive further public comments. If there are no comments, the plan will be submitted to HUD. If there are comments, the plan will be resubmitted back to the Board for final approval.

Recommendation

Approve 2009 Streamlined Annual PHA Plan as presented by staff.

PHA Plans

Streamlined Annual Version

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB No. 2577-0226
(exp. 08/31/2009)

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937 that introduced 5-year and annual PHA Plans. The full PHA plan provides a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form allows eligible PHAs to make a streamlined annual Plan submission to HUD consistent with HUD's efforts to provide regulatory relief for certain types of PHAs. Public reporting burden for this information collection is estimated to average 11.7 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Information in PHA plans is publicly available.

"Proposed "

Streamlined Annual PHA Plan for Fiscal Year: 2009 PHA Name: Texas Department of Housing and Community Affairs

NOTE: This PHA Plan template (HUD-50075-SA) is to be completed in accordance with instructions contained in previous Notices PIH 99-33 (HA), 99-51 (HA), 2000-22 (HA), 2000-36 (HA), 2000-43 (HA), 2001-4 (HA), 2001-26 (HA), 2003-7 (HA), and any related notices HUD may subsequently issue.

Streamlined Annual PHA Plan
Agency Identification

PHA Name: Texas Department of Housing and Community Affairs

PHA Number: TX901

PHA Fiscal Year Beginning: (01/2009)

PHA Programs Administered:

☐ **Public Housing and Section 8**
Number of public housing units:
Number of S8 units:

☒ **Section 8 Only**
Number of S8 units: **1540**

☐ **Public Housing Only**
Number of public housing units:

☐ **PHA Consortia: (check box if submitting a joint PHA Plan and complete table)**

Participating PHAs	PHA Code	Program(s) Included in the Consortium	Programs Not in the Consortium	# of Units Each Program
Participating PHA 1:				
Participating PHA 2:				
Participating PHA 3:				

PHA Plan Contact Information:

Name: **Amy Oehler**
Phone: **(512) 475-3864**
TDD: **1-800-735-2989**
Email (if available): **amy.oehler@tdhca.state.tx.us**

Public Access to Information

Information regarding any activities outlined in this plan can be obtained by contacting: (select all that apply)

☒ PHA's main administrative office ☐ PHA's development management offices

Display Locations For PHA Plans and Supporting Documents

The PHA Plan revised policies or program changes (including attachments) are available for public review and inspection. ☒ Yes ☐ No.

If yes, select all that apply:

☒ Main administrative office of the PHA
☐ PHA development management offices
☒ Main administrative office of the local, county or State government
☐ Public library ☒ PHA website ☐ Other (list below)

PHA Plan Supporting Documents are available for inspection at: (select all that apply)

☒ Main business office of the PHA ☐ PHA development management offices

☐ Other (list below)

Streamlined Annual PHA Plan
Fiscal Year 2009

[24 CFR Part 903.12(c)]

Table of Contents

[24 CFR 903.7(r)]

Provide a table of contents for the Plan, including applicable additional requirements, and a list of supporting documents available for public inspection**.**

B. SEPARATE HARD COPY SUBMISSIONS TO LOCAL HUD FIELD OFFICE

Form HUD-50076, *PHA Certifications of Compliance with the PHA Plans and Related Regulations*: *Board Resolution to Accompany the Streamlined Annual Plan* identifying policies or programs the PHA has revised since submission of its last Annual Plan, and including Civil Rights certifications and assurances the changed policies were presented to the Resident Advisory Board for review and comment, approved by the PHA governing board, and made available for review and inspection at the PHA's principal office;

For PHAs Applying for Formula Capital Fund Program (CFP) Grants:

Form HUD-50070, *Certification for a Drug-Free Workplace;*
Form HUD-50071, *Certification of Payments to Influence Federal Transactions*; and
Form SF-LLL &SF-LLLa, *Disclosure of Lobbying Activities*.

1. Site-Based Waiting Lists (Eligibility, Selection, Admissions Policies)

[24 CFR Part 903.12(c), 903.7(b)(2)]

Exemptions: Section 8 only PHAs are not required to complete this component.

***N/A to TDHCA**

A. Site-Based Waiting Lists-Previous Year

1. Has the PHA operated one or more site-based waiting lists in the previous year? If yes, complete the following table; if not skip to B.

Site-Based Waiting Lists				
Development Information: (Name, number, location)	**Date Initiated**	**Initial mix of Racial, Ethnic or Disability Demographics**	**Current mix of Racial, Ethnic or Disability Demographics since Initiation of SBWL**	**Percent change between initial and current mix of Racial, Ethnic, or Disability demographics**

2. What is the number of site based waiting list developments to which families may apply at one time?

3. How many unit offers may an applicant turn down before being removed from the site-based waiting list?

4. ☐ Yes ☐ No: Is the PHA the subject of any pending fair housing complaint by HUD or any court order or settlement agreement? If yes, describe the order, agreement or complaint and describe how use of a site-based waiting list will not violate or be inconsistent with the order, agreement or complaint below:

B. Site-Based Waiting Lists – Coming Year

If the PHA plans to operate one or more site-based waiting lists in the coming year, answer each of the following questions; if not, skip to next component.

1. How many site-based waiting lists will the PHA operate in the coming year?

2. ☐ Yes ☐ No: Are any or all of the PHA's site-based waiting lists new for the upcoming year (that is, they are not part of a previously-HUD-approved site based waiting list plan)?

If yes, how many lists?

3. ☐ Yes ☐ No: May families be on more than one list simultaneously
If yes, how many lists?

4. Where can interested persons obtain more information about and sign up to be on the site-based waiting lists (select all that apply)?
- ☐ PHA main administrative office
- ☐ All PHA development management offices
- ☐ Management offices at developments with site-based waiting lists
- ☐ At the development to which they would like to apply
- ☐ Other (list below)

2. Capital Improvement Needs

[24 CFR Part 903.12 (c), 903.7 (g)] ***N/A to TDHCA**

Exemptions: Section 8 only PHAs are not required to complete this component.

A. Capital Fund Program

1. ☐ Yes ☐ No Does the PHA plan to participate in the Capital Fund Program in the upcoming year? If yes, complete items 7 and 8 of this template (Capital Fund Program tables). If no, skip to B.

2. ☐ Yes ☐ No: Does the PHA propose to use any portion of its CFP funds to repay debt incurred to finance capital improvements? If so, the PHA must identify in its annual and 5-year capital plans the development(s) where such improvements will be made and show both how the proceeds of the financing will be used and the amount of the annual payments required to service the debt. (Note that separate HUD approval is required for such financing activities.).

B. HOPE VI and Public Housing Development and Replacement Activities (Non-Capital Fund)

Applicability: All PHAs administering public housing. Identify any approved HOPE VI and/or public housing development or replacement activities not described in the Capital Fund Program Annual Statement.

1. ☐ Yes ☐ No: Has the PHA received a HOPE VI revitalization grant? (if no, skip to #3; if yes, provide responses to the items on the chart located on the next page, copying and completing as many times as necessary).

2. Status of HOPE VI revitalization grant(s):

HOPE VI Revitalization Grant Status
a. Development Name: b. Development Number:
c. Status of Grant: ☐ Revitalization Plan under development ☐ Revitalization Plan submitted, pending approval ☐ Revitalization Plan approved ☐ Activities pursuant to an approved Revitalization Plan underway

3. ☐ Yes ☐ No: Does the PHA expect to apply for a HOPE VI Revitalization grant in the Plan year?
If yes, list development name(s) below:

4. ☐ Yes ☐ No: Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year? If yes, list developments or activities below:

5. ☐ Yes ☐ No: Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement? If yes, list developments or activities below:

3. Section 8 Tenant Based Assistance--Section 8(y) Homeownership Program

(if applicable) [24 CFR Part 903.12(c), 903.7(k)(1)(i)]

1. ☒ Yes ☐ No: Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFR part 982 ? (If "No", skip to the next component; if "yes", complete each program description below (copy and complete questions for each program identified.)

The Department may collaborate with one or more PHAs that have a successful voucher homeownership program.

2. Program Description:

The Department may implement a Section 8 Homeownership program.

a. Size of Program
☒ Yes ☐ No: Will the PHA limit the number of families participating in the Section 8 homeownership option?

If the answer to the question above was yes, what is the maximum number of participants this fiscal year? **25 or fewer participants**

b. PHA-established eligibility criteria
☐ Yes ☒ No: Will the PHA's program have eligibility criteria for participation in its Section 8 Homeownership Option program in addition to HUD criteria? If yes, list criteria:

c. What actions will the PHA undertake to implement the program this year (list)?

3. Capacity of the PHA to Administer a Section 8 Homeownership Program:

The PHA has demonstrated its capacity to administer the program by (select all that apply):
☐ Establishing a minimum homeowner downpayment requirement of at least 3 percent of purchase price and requiring that at least 1 percent of the purchase price comes from the family's resources.
☐ Requiring that financing for purchase of a home under its Section 8 homeownership will be provided, insured or guaranteed by the state or Federal government; comply with secondary mortgage market underwriting requirements; or comply with generally accepted private sector underwriting standards.
☐ Partnering with a qualified agency or agencies to administer the program (list name(s) and years of experience below):
☐ Demonstrating that it has other relevant experience (list experience below):

The Department may collaborate with one or more PHAs that have a successful voucher homeownership program.

4. Use of the Project-Based Voucher Program

Intent to Use Project-Based Assistance ***N/A to TDHCA**

☐ Yes ☐ No: Does the PHA plan to "project-base" any tenant-based Section 8 vouchers in the coming year? If the answer is "no," go to the next component. If yes, answer the following questions.

1. ☐ Yes ☐ No: Are there circumstances indicating that the project basing of the units, rather than tenant-basing of the same amount of assistance is an appropriate option? If yes, check which circumstances apply:

   ☐ low utilization rate for vouchers due to lack of suitable rental units
   ☐ access to neighborhoods outside of high poverty areas
   ☐ other (describe below:)

2. Indicate the number of units and general location of units (e.g. eligible census tracts or smaller areas within eligible census tracts):

5. PHA Statement of Consistency with the Consolidated Plan

NO CHANGES OR ADDITIONS

[24 CFR Part 903.15]

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary) only if the PHA has provided a certification listing program or policy changes from its last Annual Plan submission.

1. Consolidated Plan jurisdiction: (provide name here)

2. The PHA has taken the following steps to ensure consistency of this PHA Plan with the Consolidated Plan for the jurisdiction: (select all that apply)

- [ ] The PHA has based its statement of needs of families on its waiting lists on the needs expressed in the Consolidated Plan/s.
- [ ] The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
- [ ] The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
- [ ] Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (list below)
- [ ] Other: (list below)

3. The Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions and commitments: (describe below)

6. Supporting Documents Available for Review for Streamlined Annual PHA Plans

PHAs are to indicate which documents are available for public review by placing a mark in the "Applicable & On Display" column in the appropriate rows. All listed documents must be on display if applicable to the program activities conducted by the PHA.

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
X	*PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Standard Annual, Standard Five-Year, and Streamlined Five-Year/Annual Plans*;	5 Year and Annual Plans
X	*PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Streamlined Annual Plan*	Streamlined Annual Plans
X	*Certification by State or Local Official of PHA Plan Consistency with Consolidated Plan.*	5 Year and standard Annual Plans
X	Fair Housing Documentation Supporting Fair Housing Certifications: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions' initiatives to affirmatively further fair housing that require the PHA's involvement.	5 Year and Annual Plans
N/A	Housing Needs Statement of the Consolidated Plan for the jurisdiction(s) in which the PHA is located and any additional backup data to support statement of housing needs for families on the PHA's public housing and Section 8 tenant-based waiting lists.	Annual Plan: Housing Needs
N/A	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources
N/A	Public Housing Admissions and (Continued) Occupancy Policy (A&O/ACOP), which includes the Tenant Selection and Assignment Plan [TSAP] and the Site-Based Waiting List Procedure.	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Deconcentration Income Analysis	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Any policy governing occupancy of Police Officers and Over-Income Tenants in Public Housing. ☐ Check here if included in the public housing A&O Policy.	Annual Plan: Eligibility, Selection, and Admissions Policies
X	Section 8 Administrative Plan	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Public housing rent determination policies, including the method for setting public housing flat rents. ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
N/A	Schedule of flat rents offered at each public housing development. ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
X	Section 8 rent determination (payment standard) policies (if included in plan, not necessary as a supporting document) and written analysis of Section 8 payment standard policies. ☐ Check here if included in Section 8 Administrative Plan.	Annual Plan: Rent Determination
N/A	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation).	Annual Plan: Operations and Maintenance
N/A	Results of latest Public Housing Assessment System (PHAS) Assessment (or other applicable assessment).	Annual Plan: Management and Operations
N/A	Follow-up Plan to Results of the PHAS Resident Satisfaction Survey (if necessary)	Annual Plan: Operations and Maintenance and Community Service & Self-

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
		Sufficiency
X	Results of latest Section 8 Management Assessment System (SEMAP)	Annual Plan: Management and Operations
X	Any policies governing any Section 8 special housing types ☐ Check here if included in Section 8 Administrative Plan **The Department may apply for special-purpose vouchers targeted to families with disabilities, should they become available. The Department will affirmatively market to local non-profit agencies that assist families with disabilities.**	Annual Plan: Operations and Maintenance
N/A	Public housing grievance procedures ☐ Check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures. ☒ Check here if included in Section 8 Administrative Plan.	Annual Plan: Grievance Procedures
N/A	The Capital Fund/Comprehensive Grant Program Annual Statement /Performance and Evaluation Report for any active grant year.	Annual Plan: Capital Needs
N/A	Most recent CIAP Budget/Progress Report (HUD 52825) for any active CIAP grants.	Annual Plan: Capital Needs
N/A	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans, or any other approved proposal for development of public housing.	Annual Plan: Capital Needs
N/A	Self-evaluation, Needs Assessment and Transition Plan required by regulations implementing Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. See PIH Notice 99-52 (HA).	Annual Plan: Capital Needs
N/A	Approved or submitted applications for demolition and/or disposition of public housing.	Annual Plan: Demolition and Disposition
N/A	Approved or submitted applications for designation of public housing (Designated Housing Plans).	Annual Plan: Designation of Public Housing
N/A	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act, Section 22 of the US Housing Act of 1937, or Section 33 of the US Housing Act of 1937.	Annual Plan: Conversion of Public Housing
N/A	Documentation for required Initial Assessment and any additional information required by HUD for Voluntary Conversion.	Annual Plan: Voluntary Conversion of Public Housing
N/A	Approved or submitted public housing homeownership programs/plans.	Annual Plan: Homeownership
N/A	Policies governing any Section 8 Homeownership program (Section ______of the Section 8 Administrative Plan)	Annual Plan: Homeownership
N/A	Public Housing Community Service Policy/Programs ☐ Check here if included in Public Housing A & O Policy	Annual Plan: Community Service & Self-Sufficiency
N/A	Cooperative agreement between the PHA and the TANF agency and between the PHA and local employment and training service agencies.	Annual Plan: Community Service & Self-Sufficiency
N/A	FSS Action Plan(s) for public housing and/or Section 8. **The Department has an exemption until October 2009.**	Annual Plan: Community Service & Self-Sufficiency
N/A	Section 3 documentation required by 24 CFR Part 135, Subpart E for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Policy on Ownership of Pets in Public Housing Family Developments (as required by regulation at 24 CFR Part 960, Subpart G). ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Pet Policy
X	The results of the most recent fiscal year audit of the PHA conducted under the Single Audit Act as implemented by OMB Circular A-133, the results of that audit and the PHA's response to any findings.	Annual Plan: Annual Audit
N/A	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
N/A	Consortium agreement(s) and for Consortium Joint PHA Plans Only: Certification that consortium agreement is in compliance with 24 CFR Part 943 pursuant to an opinion of counsel on file and available for inspection.	Joint Annual PHA Plan for Consortia: Agency Identification and Annual Management and Operations

Notice of Disaster Preference for Section 8 Housing Choice Voucher Program

On July 12, 2007 the Board of the Texas Department of Housing and Community Affairs approved for public comment an addition of a disaster preference to be included in the TDHCA Public Housing Agency Plan. The disaster preference will allow the Department to provide Housing Choice Vouchers promptly to individuals and families in communities impacted by a disaster which will include, but not be limited to, communities with a disaster declaration or documented extenuating circumstances such as imminent threat to health and safety. The preference will cover only the areas where the Department currently has oversight of the Section 8 program. Requests for the preference must be made within 90 days of the disaster and may result in the disaster impacted person or family receiving assistance before someone currently on a waiting list.

PROJECT ACCESS

Several years ago, HUD made Section 8 vouchers available to assist disabled persons that are institutionalized to move out of institutions and into independent living. The Texas Department of Housing and Community Affairs (the Department) applied for vouchers under this HUD pilot initiative known as Project Access. HUD awarded the Department 35 Section 8 Project Access vouchers and the Department implemented its Project Access pilot project.

After the HUD pilot ended, the Department maintained 35 of its regular Section 8 vouchers to continue the Project Access initiative in order to continue assisting this population to move into independent living.

The Department intends to continue its Project Access initiative and expand the program to 50 vouchers for FY 2008.

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

***N/A to TDHCA**

PHA Name:	**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:	**Federal FY of Grant:**

☐**Original Annual Statement** ☐**Reserve for Disasters/ Emergencies** ☐**Revised Annual Statement (revision no:)**
☐**Performance and Evaluation Report for Period Ending:** ☐**Final Performance and Evaluation Report**

Line No.	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost**	
		Original	**Revised**	**Obligated**	**Expended**
1	Total non-CFP Funds				
2	1406 Operations				
3	1408 Management Improvements				
4	1410 Administration				
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs				
8	1440 Site Acquisition				
9	1450 Site Improvement				
10	1460 Dwelling Structures				
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Nondwelling Structures				
13	1475 Nondwelling Equipment				
14	1485 Demolition				
15	1490 Replacement Reserve				
16	1492 Moving to Work Demonstration				
17	1495.1 Relocation Costs				
18	1499 Development Activities				
19	1501 Collaterization or Debt Service				
20	1502 Contingency				
21	Amount of Annual Grant: (sum of lines 2 – 20)				
22	Amount of line 21 Related to LBP Activities				
23	Amount of line 21 Related to Section 504 compliance				
24	Amount of line 21 Related to Security – Soft Costs				

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

***N/A to TDHCA**

PHA Name:	**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:	**Federal FY of Grant:**

☐**Original Annual Statement** ☐**Reserve for Disasters/ Emergencies** ☐**Revised Annual Statement (revision no:)**
☐**Performance and Evaluation Report for Period Ending:** ☐**Final Performance and Evaluation Report**

Line No.	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost**	
		Original	**Revised**	**Obligated**	**Expended**
25	Amount of Line 21 Related to Security – Hard Costs				
26	Amount of line 21 Related to Energy Conservation Measures				

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part II: Supporting Pages

PHA Name:	**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:	**Federal FY of Grant:**

Development Number Name/HA-Wide Activities	General Description of Major Work Categories	Dev. Acct No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised	Funds Obligated	Funds Expended	

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part II: Supporting Pages

PHA Name:		**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:				**Federal FY of Grant:**		
Development Number Name/HA-Wide Activities	General Description of Major Work Categories	Dev. Acct No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised	Funds Obligated	Funds Expended	

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part III: Implementation Schedule

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

PHA Name:	**Grant Type and Number** Capital Fund Program No: ***N/A to TDHCA** Replacement Housing Factor No:						**Federal FY of Grant:**
Development Number Name/HA-Wide Activities	All Fund Obligated (Quarter Ending Date)			All Funds Expended (Quarter Ending Date)			Reasons for Revised Target Dates
	Original	Revised	Actual	Original	Revised	Actual	

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Capital Fund Program Five-Year Action Plan Part I: Summary *N/A to TDHCA					
PHA Name				☐ Original 5-Year Plan ☐ Revision No:	
Development Number/Name/ HA-Wide	Year 1	Work Statement for Year 2 FFY Grant: PHA FY:	Work Statement for Year 3 FFY Grant: PHA FY:	Work Statement for Year 4 FFY Grant: PHA FY:	Work Statement for Year 5 FFY Grant: PHA FY:
	Annual Statement				
CFP Funds Listed for 5-year planning					
Replacement Housing Factor Funds					

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Capital Fund Program Five-Year Action Plan Part II: Supporting Pages—Work Activities N/A to TDHCA						
Activities for Year 1	Activities for Year :____ FFY Grant: PHA FY:			Activities for Year: ___ FFY Grant: PHA FY:		
	Development Name/Number	**Major Work Categories**	**Estimated Cost**	**Development Name/Number**	**Major Work Categories**	**Estimated Cost**
See						
Annual						
Statement						
Total CFP Estimated Cost			$			$

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Capital Fund Program Five-Year Action Plan Part II: Supporting Pages—Work Activities			**N/A to TDHCA**		
Activities for Year :____ FFY Grant: PHA FY:			Activities for Year: ___ FFY Grant: PHA FY:		
Development Name/Number	**Major Work Categories**	**Estimated Cost**	**Development Name/Number**	**Major Work Categories**	**Estimated Cost**
Total CFP Estimated Cost		$			$

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

COMMUNITY AFFAIRS DIVISION
COMMUNITY SERVICES BLOCK GRANT

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the publication in the *Texas Register* of proposed amendments to 10 TAC §5.6(c) and (d), concerning Distribution of Community Services Block Grant (CSBG) Funds.

Required Action

Approve, reject or approve with modifications the publication in the *Texas Register* of proposed amendments to 10 TAC §5.6(c) and (d), concerning Distribution of Community Services Block Grant (CSBG) Funds.

Background

The CSBG Act requires that no less than 90% of the state's allocation be awarded to eligible entities (see also §5.6(a) of this rule). The remaining 10%, if any, may be divided so that no more than 5% is used to fund certain eligible activities (see §5.6(c) of this rule), and no more than 5% is retained by the Department to cover administrative costs (see §5.6(d) of this rule). The Department recommends modification of 10 TAC §5.6(c) and (d) for two reasons. First, the Department wishes to expand the listed uses of funds available under subsection (c) to include providing training and technical assistance to CSBG eligible entities. Second, the Department wishes to expand its options for using the state administrative cost portion of the annual CSBG allocation to include any activities authorized under state and federal law. Together, these amendments will increase the Department's flexibility in the use of CSBG funds. These proposed amendments also address a finding of the recent internal audit performed for the Community Services Section.

Recommendation

Staff recommends the Board approve the publication in the *Texas Register* of proposed amendments to 10 TAC §5.6(c) and (d), concerning Distribution of CSBG Funds.

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 5 COMMUNITY SERVICES PROGRAMS
SUBCHAPTER A COMMUNITY SERVICES BLOCK GRANT (CSBG)

§5.6. Distribution of CSBG Funds

(a) The CSBG Act requires that no less than 90% of the state's allocation be allocated to eligible entities. 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.

(1) Each eligible entity receives a base amount of $50,000;

(2) The weighted factors of poverty population and population density are applied to the funds remaining after the base award funds have been distributed to each eligible entity;

(3) The Department then determines if any eligible entity is below the $150,000 floor after the base amount and weighted factors (poverty population and population density) have been applied, then the minimum floor amount is reserved for those entities below $150,000.

(4) The remaining funds are distributed to the remaining eligible entities. As was done with the initial run of the formula, each of the remaining eligible entities receives the base amount of $50,000 and then the weighted factors (poverty population and population density) are applied to determine the allocation amounts for eligible entities funded above the $150,000.

(b) The population density factor ensures that additional funds are provided to those organizations with sparsely populated service areas.

(c) Five percent (5%) of the Department's annual allocation of CSBG funds may be used for activities that may include: the provision of training and technical assistance to CSBG eligible entities, services to low-income Migrant Seasonal Farmworker and Native American populations; to assist CSBG eligible entities in responding to natural or man-made disasters. The Department also considers proposals that request funding for innovative and demonstration projects that assist CSBG target population groups to overcome at least one of the barriers to attaining self-sufficiency. A portion of these funds are used to confer Performance Awards to eligible entities that transition persons out of poverty.

(d) Five percent (5%) of the Department's annual allocation of CSBG funds will be used for administrative or programmatic purposes consistent with state and federal law. ~~Five percent (5%) of the Department's annual CSBG allocation is used to cover state administrative costs including salary and benefits for state CSBG staff, indirect costs, a portion of operating costs (space, telephone, staff travel, etc.), and capital expenditures (furnishings, equipment, etc.).~~

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
JUNE 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the Participating Lender List for Single Family Mortgage Credit Certificate (MCC) Program 72.

Required Action

Approve or deny the Participating Lender List for MCC Program 72.

Background

Summary
Invitations were sent out to our existing lender network and other interested lenders for participation in MCC Program 72. To date, 25 lending institutions have signed up to participate in the program. At any time, new participants interested in participating in an existing program are encouraged to complete an MCC Participation Agreement for consideration and approval. Financial institutions, including mortgage lenders, mortgage brokers, banks, etc. are eligible to participate. In addition to agreeing to the participant representations, warrants and covenants, there is a one time participation fee of $1,000 charged per lending institution. The fee is waived if the lender has participated in one of the Department's previous MCC Programs.

In an effort to create a well trained and knowledgeable participating lender network, lender training is being provided by program staff. A series of trainings were conducted in several cities across the state earlier this month and training is available over the telephone for those lenders unable to attend the live trainings. We recommend the following list of participating lenders be approved by the Board. In the future, staff is requesting the Executive Director be granted permission to approve program participating lender lists.

LENDER NAME	ADDRESS	CITY	STATE
All Homes Mortgage	6010 Balcones Drive	Austin	TX
American HomeFront Mortgage	11824 Jollyville Road, Ste. 303	Austin	TX
American National Bank	2732 Midwestern Parkway	Wichita Falls	TX
Coastal Bend Mtg. Inc., dba Global Mortgage Group	5656 S. Staples, Ste. 200	Corpus Christi	TX
Colonial National Mortgage (Colonial Savings, F.A.)	2626 A West Freeway	Fort Worth	TX
Cornerstone Mortgage Company	1177 West Loop South, #200	Houston	TX
Countrywide Home Loans, Inc.	1600 Golf Road, #1100	Rolling Meadows	IL

LENDER NAME	ADDRESS	CITY	STATE
CTX Mortgage Company	1603 LBJ Freeway; Ste. 500	Dallas	TX
DFW Mortgage (Texas Mortgage Services, Inc.)	8504 Precinct Line Road; #180	Colleyville	TX
First Community Bank - Home Loan Center	5890 Everhart Road	Corpus Christi	TX
First Continental Mortgage	2929 Briarpark Drive., Ste. 125	Houston	TX
First National Bank, TX dba First Community Mtg.	2102 S. WS Young ; Ste. 1	Killeen	TX
Hammersmith Financial, LP	7850 N. Sam Houston Pkwy W	Houston	TX
Imortgage.com, Inc.	4800 N. Scottsdale	Scottsdale	AZ
InterLinc Mortgage, Inc. (*f.k.a. Lodge Mortgage, Inc*.)	19221 I-45 South; Ste. 210	Conroe	TX
Judith O. Smith Mortgage Group, Inc.	6125 I-20; Ste. 140	Fort Worth	TX
Mission Mortgage of Texas (Home Financing Unlimited)	901 S. MoPac; Ste. 120	Austin	TX
National City Mortgage Company	3232 Newmark Drive	Miamisburg	OH
Network Funding, L.P.	9700 Richmond Ave.; Ste. 320	Houston	TX
New South Federal Savings Bank	1900 Crestwood Boulevard; MS 30830	Birmingham	AL
Premier Nationwide Lending (NTFN, Inc.)	2001 Lakeside Parkway	Flowermound	TX
Rocky Mountain Mortgage Company	2244 Trawood; Ste. 100	El Paso	TX
Shelter Mortgage LLC (Subsidiary of Guaranty Bank - Milwaukee, WI)	4000 W. Brown Deer Road	Brown Deer	WI
SWBC Mortgage Corp.	1112 E. Copeland Rd., Ste. 550	Arlington	TX
WR Starkey Mortgage	5055 W. Park Blvd, #300	Plano	TX

Recommendation

Staff recommends approval of the Participating Lender List for Single Family MCC Program 72 and requests the Executive Director be granted permission to approve program participating lender lists in the future.

ORAL PRESENTATION

Legal Services Division

BOARD ACTION REQUEST

June 26, 2008

Action Items

Discussion and Possible Approval of a policy, including penalties, regarding support from TDHCA of the Internal Revenue Service reinstatement of tax credits after the placed in service date and issuance of Form 8609 for the Gardens of Gladewater where the development has received Form 8823 as not participating in the program due to errors in the first year.

Required Action

Approve, approve with modifications or deny the staff recommendation to send support for the reinstatement of credits and potential penalties.

Background

The issue involves the reinstatement of credits which is an issue of first impression for the Department and potentially in the country. During discussions with the taxpayer and the IRS, the IRS suggested that it would be open to the idea of reinstatement through a settlement agreement with the taxpayer, with penalties, of tax credits for a development whose credits were determined ineligible because of non-compliance with the program within the first year of placement in service if the Department was willing to provide support for the tax payer.

To fully explain the current situation, under the Housing Tax Credit program, owners elect one of two minimum set asides: 20/50 or 40/60. If the 20/50 set aside is elected, at minimum 20% of the units be leased to households with incomes and rents under the 50% limits. If the 40/60 set aside is elected, at minimum 40% of the units must be leased to households with incomes and rents under the 60% limits. The minimum set aside must be met no later than December 31st of the first year of the credit period.

The 8823 Audit Guide states *"If a project failed the first year minimum set aside requirement, the noncompliance cannot be corrected and the owner is prohibited from ever claiming the LIHC. The date of noncompliance is the last day of the taxable year of the first year of the credit period for that project. The state agency should issue Form 8823 indicating Category 11f, Project failed to meet minimum set aside requirements and Category 11p, Project is no longer in compliance and is no longer participating in the program."* Section 42(g)(3) is the Internal Revenue Code support for this section of the Audit Guide.

The Gardens of Gladewater received an allocation of Housing Tax Credits in 2004 for the construction of a 36 unit property in Gladewater, Texas. Construction on the development was completed in 2006 and 2006 was the first year of the credit period. The election of the first year of the credit period is irrevocable. The Portfolio Management and Compliance Division conducted an onsite review at the property in August of 2007. Through that review, it was determined that there was a utility allowance violation. The allowance used by the property did not account for water, sewer and trash collection; the residents were responsible for paying these utilities in addition to electricity. This error impacted the gross rents charged and the property's minimum set aside during the first year of the credit period.

The owner was provided a corrective action period and corrected the utility allowance violation in September of 2007. The difficulty is that while the property was no longer continuing the error, the past actions were not correctable and resulted in the issuance of Form 8823 during the first year of the credit period.

The Department has looked at the record involved and believes that the utility allowance error was unintentional and recognizes that utility allowance issues are complicated and the penalty of forfeiture of all credits far exceeds the harm to the residents. In addition, the Department recognizes the property provides much needed affordable rental housing in Gladewater, Texas and the residents will be further harmed if the property loses its affordability.

The 8823s were issued to the Internal Revenue Service and scored in the Department's compliance status system. These events total a compliance score of 45, meaning that the property is in Material Noncompliance and the controlling entity is not eligible for additional department funding at this time. Staff also believes that the Board should consider the penalty assessment of up to 10 points allowed in the QAP as the development team did not fully comply with the terms of the allocation.

Should the Board approve staff's recommendation and the ownership and IRS are able to resolve the tax matter, the finding "Project no longer participating in the program" will be rescinded and the property's score will be reduced to less than the material noncompliance threshold.

Recommendation

Approve staff's recommendation to send a letter to the Internal Revenue Service providing support to reinstate the Gardens of Gladewater in the Housing Tax Credit Program.

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
JUNE 26, 2008

Action Items

Request approval of a contract extension through December 31, 2008 for Countrywide Bank, FSB ("Countrywide") to serve as Master Servicer for the Single Family Mortgage Revenue Bond Program.

Required Action

Approve an extension for Countrywide Bank, FSB as Master Servicer for the Single Family Mortgage Revenue Bond Program through December 31, 2008.

Background and Recommendations

Summary

In August 2004, the Texas Homeownership Division staff developed a Request For Proposal ("RFP") to solicit responses from loan servicing companies to act as Master Servicer for a period of two years under the Department's Single Family Mortgage Revenue Bond ("MRB") Program with the discretion to renew and extend the Agreement at the end of the two-year term under three annual options. On October 14, 2004, staff recommended and the Board approved the selection of Countrywide as Master Servicer for the Single Family Mortgage Revenue Bond Programs. In accordance with the terms of the contract, the agreement was extended by the TDCHA Board on August 2006 and August 2007. Their current contract is expected to expire on October 14, 2008. If approval of the extension request is granted, this will be the third option exercised under their contract and will extend the contract period to December 31, 2008.

Under the current contract, Countrywide has been the servicer on Programs 62, 62A, 66, 68, 69 and 70. They perform compliance review, lender approval, loan registration and loan servicing functions on all Single Family MRB Programs released during their contract term. The next Single Family MRB Program ("Program 71") is anticipated to be released in mid October 2008. Since servicing values have fallen significantly due to a number of factors; including increases in delinquencies and foreclosures, staff is seeking a two and one-half month extension of their current contract in order to take advantage of their favorable pricing by including them in the program structuring process for the next scheduled program release - Program 71.

Recommendation

Staff requests approval of an extension through December 31, 2008 for CountrywideBank, FSB as Master Servicer for the Single Family Mortgage Revenue Bond Program.

HOUSING RESOURCE CENTER

BOARD ACTION REQUEST

June 26, 2008

Action Items

Presentation, Discussion and Possible Approval of the Agency Strategic Plan for Fiscal Years 2009-2013.

Required Action

Approve or approve with amendments the submission of the Agency Strategic Plan for Fiscal Years 2009-2013.

Background

By July 11, 2008, the Agency Strategic Plan must be submitted to the Governor, Lt. Governor, Speaker of the House, Comptroller of Public Accounts, State Auditor, Sunset Advisory Committee, House Appropriations Committee, Senate Finance Committee, Governor's Office of Budget, Planning and Policy, Legislative Budget Board, Texas State Library, and the Legislative Reference Library.

The following sentence from the Legislative Budget Board's report preparation instructions sums up the purpose of this document well.

"A Strategic Plan is a formal document that communicates an agency's goals, directions, and outcomes to various audiences, including the Governor and the Legislature, client and constituency groups, the general public, and the agency's employees."[1]

The TDHCA Strategic Plan for Fiscal Years 2009-2013 (the Plan) outlines its approach to addressing the affordable housing and community service needs of lower income Texans. The Plan was developed within the context of the State's overall goals and budget to generate specific outcomes that tie directly to the Department's budget structure. TDHCA will use the Plan to help meet needs of the citizens of Texas through logical, transparent, accountable, and effective actions.

The Plan provides a high level overview of issues that may affect the ongoing accomplishment of TDHCA's mission over the next five years. Examples of internal issues the report considers include the Department's budget, workforce characteristics, technological assets and projects, organizational structure, and existing performance measures. External factors that may change over time are also studied. Such factors include TDHCA's available funding resources, service population characteristics, service area boundaries, and the economic, legal, and environmental

[1] From the "Introduction" to the Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2009-2013.

conditions in which it operates. Finally, the Plan provides TDHCA with an opportunity to describe some of its strengths, weaknesses, challenges, and opportunities for change.

Please note that while this is a “planning” document, it does not establish:

- future performance measure targets (This is done through the Legislative Appropriations Request process); or
- program set asides or intended program activities (This is done through program rule making and the State Low Income Housing Plan).

Significant changes from the 2007-2011 Plan include:

- The Plan includes a technology initiative alignment section that describes the alignment of technology initiatives with agency business needs and priorities to promote collaboration between the agency’s business and IT leaders, and promote innovative solutions to enable the agency to meet its objectives.
- Sections of the Plan that discuss issues that directly impact TDHCA’s activities and services were supplemented or added. Examples of these types of updates include the affect of and Department’s response to the foreclosure crisis and related tightening of lending standards; rising energy costs; and factors affecting developers including recent turmoil in the housing and financial markets.

ATTACHMENT A

AGENCY STRATEGIC PLAN FOR THE FISCAL YEARS 2009-2013 PERIOD
BY THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AGENCY STRATEGIC PLAN

FOR THE FISCAL YEARS 2009–13 PERIOD

BY

The Texas Department of Housing and Community Affairs

Board Chair	Term	Home Town
Mr. C. Kent Conine	9/14/1997 – 1/31/2013	Dallas, Texas

Date of Submission
July 11, 2008

SIGNED: ______________________________
Michael Gerber, TDHCA Executive Director

APPROVED: ______________________________
C. Kent Conine, TDHCA Board Chair

Prepared by the TDHCA Housing Resource Center
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INTRODUCTION

"Beginning in 1991, Texas embarked on a comprehensive strategic planning process for all state agencies within the executive branch of government. House Bill 2009, Seventy-second Legislature, Regular Session, 1991, which inaugurated the process, established the requirements and time frame under which Texas completed its first planning cycle.

House Bill 2009 was subsequently codified as Chapter 2056 of the Government Code.

In 1993, Chapter 2056 of the Government Code was amended to consolidate certain planning requirements and to change the required planning horizon from six years to five years (i.e., the second year of the current biennium and the next two biennia). Agencies must complete and submit plans every two years; however, they may engage in planning on a continual basis and may adjust plans internally as changing conditions dictate.

Strategic planning is a long-term, iterative, and future oriented process of assessment, goal setting, and decision-making that maps an explicit path between the present and a vision of the future. It includes a multiyear view of objectives and strategies for the accomplishment of agency goals. Clearly defined outcomes and outputs provide feedback that leads to program performance that influences future planning, resource allocation, and operating decisions. The strategic planning process incorporates and sets direction for all agency operations.

A Strategic Plan is a formal document that communicates an agency's goals, directions, and outcomes to various audiences, including the Governor and the Legislature, client and constituency groups, the general public, and the agency's employees." [1]

The Texas Department of Housing and Community Affairs (TDHCA or Department) Strategic Plan for Fiscal Years 2009–2013 (the Plan) outlines its approach to addressing the affordable housing and community service needs of lower income Texans. The Plan was developed within the context of the State's overall goals and budget to generate specific outcomes that tie directly to the Department's budget structure. TDHCA will use the Plan to help meet needs of the citizens of Texas through sound, transparent, accountable, and effective actions.

[1] From the "Introduction" to the Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2009-2013.

STATEWIDE VISION, MISSION, AND PHILOSOPHY

THE VISION FOR TEXAS STATE GOVERNMENT

"Working together, I know we can accomplish our mission and address the priorities of the people of Texas. My administration is dedicated to creating greater opportunity and prosperity for our citizens, and to accomplish that mission, I am focused on the following critical priorities:

- *Assuring open access to an educational system that not only guarantees the basic core knowledge necessary productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;*
- *Creating and retaining job opportunities and building a stronger economy that will lead to more prosperity our people and a stable source of funding for core priorities;*
- *Protecting and preserving the health, safety, and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend us harm;*
- *Providing disciplined, principled government that invests public funds wisely and efficiently. I appreciate your commitment to excellence in public service."*

RICK PERRY
Governor of Texas[2]

THE MISSION OF TEXAS STATE GOVERNMENT

"Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!" [3]

THE PHILOSOPHY OF TEXAS STATE GOVERNMENT

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- *First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.*
- *Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.*
- *Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.*
- *Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a*

[2] Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2009-2013.
[3] Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2009-2013.

sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.

- *Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.*
- *State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government. Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.*[4]

Descriptions of ways TDHCA works to fulfill the Vision, Mission, and Philosophy of Texas State Government are provided in the following section which details TDHCA's impact on the corresponding statewide goals and benchmarks for Texas State Government.

[4] Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2009-2013.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

TDHCA's strategies directly or peripherally impact the following statewide goals and associated benchmarks.

EDUCATION - PUBLIC SCHOOLS

Priority Goal

To ensure that all students in the public education system acquire the knowledge and skills to be responsible and independent Texans by:

- ensuring students graduate from high school and are ready for college, a two-year institution, other post-secondary training, or the workforce;
- continuing to develop reading, math, and science skills at appropriate grade level through graduation; and
- demonstrating exemplary performance in foundation subjects.

Benchmarks

- High school graduation rate
- Percent of students who demonstrate satisfactory performance on the Texas Assessment of Knowledge and Skills
- Percent of students from third grade and above who are able to read at or above grade level
- Percent of students from third grade and above who perform at or above grade level in math
- Percent of students who achieve mastery of the foundation subjects of reading, English language arts, math, social studies, and science

The provision of affordable and safe housing affects family stability and childhood outcomes. Residing in substandard housing exposes families to hazards such as lead paint that can limit lifelong educational and economic achievement.[5] The presence of dust, molds, and roach allergens in the home increases the incidence of asthma and allergies which leads to increased absences from school. The inability to make rent or mortgage payments on a consistent basis means families may frequently move in response to changes in the family's financial situation. Disruptive moves during childhood and adolescence negatively impact school performance.[6] When families struggle to satisfy their daily needs, school performance declines. Overcrowded housing conditions also adversely impact childhood development. Ensuring that students have stable living environments is crucial to their success at school.

TDHCA addresses the priority goals and benchmarks in the following ways.

- TDHCA activities result in lower rental and mortgage payments for families, repairs to and replacement of substandard housing, and reduced utility payments. This assistance helps

5 Centers for Disease Control, "Blood Lead Level in Young Children 1996-1999," Morbidity and Mortality Weekly (December 22, 2000).

6 Robert Haveman, Barbara Wolf, and James Spaulding, "Childhood Events and Circumstances Influencing High School Completion," Demography 28:1 (1991): 133-57. U.S. General Accounting Office, Elementary School Children: May Change Schools Frequently, Harming Their Education (Washington, D.C.: GAO/HEHS-94-45, 1994).

families provide a safe and stable home environment for their children – conditions that are conducive to promoting educational achievement.

- In addition to providing housing that is safe, decent, and affordable, TDHCA activities often provide supportive services and amenities that are geared towards helping educate children. Examples of this assistance include supportive services provided by rental housing developments and community action agencies that TDHCA has funded. Such services include class room space and equipment, nutrition, after school care, computer training, and health and human services care for children that help eliminate barriers to educational success.
- Through the Emergency Shelter Grants Program TDHCA funds organizations providing homelessness prevention activities by assisting families that are homeless or threatened with homelessness.

HEALTH AND HUMAN SERVICES

Priority Goal

To promote the health, responsibility, and self-sufficiency of individuals and families by:

- making public assistance available for those most in need through an efficient and effective system; and
- continuing to create partnerships with local communities, advocacy groups, and the private and not-for-profit sectors.

Benchmarks

- Percent of long-term care clients served in the community
- Percent of adult welfare participants in job training who enter employment
- Percent of Texas population receiving food stamps
- Incidence of confirmed cases of abuse, neglect, or death of children, the elderly, or spouses per 1,000 population
- Rate of substance abuse and alcoholism among Texans
- Percent of people completing vocational rehabilitation services and remaining employed

TDHCA addresses the priority goals and benchmarks in the following ways.

- Housing opportunities for people with disabilities are often restricted 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. TDHCA's rental assistance vouchers provided through the US Department of Housing and Urban Development's (HUD) HOME and Housing Choice Voucher (Section 8) programs can be used to help people live independently and remain in their own homes. To help persons with special needs own their own homes, TDHCA has made available HOME Program funds to help persons with disabilities purchase a home, access homebuyer education, access down payment and closing cost assistance, and receive funding for architectural barrier removal.
- TDHCA's multifamily properties offer valuable services to tenants that range from job training programs, computer labs, and literacy programs, to matched savings plans that can be used to fund educational opportunities. Local community action agencies funded through

TDHCA's Community Services Block Grant Program, Comprehensive Energy Assistance Program, and other community affairs programs provide essential services, including access to child care, transportation, job training and employment services, utility assistance, and educational programs. These activities are of great value to persons trying to improve their chance of getting and keeping a job and help promote long term self sufficiency.

- Battered women who live in poverty are often forced to choose between staying in abusive relationships or homelessness. According to the National Coalition for the Homeless, half of women with children experiencing homelessness left their last place of residence because of domestic violence. In 2006, there were 186,868 reported family violence incidents in Texas. Through TDHCA's community services programs, many victims of domestic violence are able to access shelter and supportive services that help them become self sufficient.
- The US Conference of Mayors survey reports that 30 percent of homeless persons has an addiction disorder.[7] The Texas Department of State Health Services reports that, of adult clients admitted to TCADA-funded programs in 2006, 12 percent were homeless.[8] Homeless persons with substance abuse problems may require supportive services. 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. In addition, the TDHCA Housing Tax Credit program has funded Single Room Occupancy developments that serve the extremely low-income population that is previously homeless or at risk of homelessness.

ECONOMIC DEVELOPMENT

Priority Goal

To provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment, and infrastructure development by:

- promoting a favorable and fair system to fund necessary state services;
- addressing transportation needs;
- promoting a favorable business climate; and
- developing a well trained, educated, and productive workforce.

Benchmarks

- Number of employees in targeted industry sectors
- Number of new non-government, non-farm jobs created
- Per capita gross state product
- Texas unemployment rate
- Number of Texans receiving job training services

[7] National Coalition for the Homeless, *Who is Homeless?*
[8] Texas Department of State Health Services, "Characteristics of Adult Clients at Admission to State-Funded Treatment Programs by Drug Type" http://www.dshs.state.tx.us/sa/Research/statewide-totals/ (accessed May 30, 2008).

The provision of affordable housing also has an economic impact on communities. As is the case with market rate real estate production, an economic benefit accompanies the construction of affordable housing. Construction directly creates jobs, wages, and tax revenues. It also provides indirect economic benefits as the construction creates demand for goods and services. According to a study by the National Association of Home Builders,[9] the construction of:

- 100 single-family homes generates 284 full-time local jobs; $16 million in local income; and $1.8 million in taxes and other revenue for local governments.
- 100 multifamily units generates 133 full-time local jobs; $7 million in local income; and $710,000 in taxes and other revenue for local governments.

The economic growth of communities can be adversely impacted when job growth is not matched with corresponding growth in affordable housing opportunities. For businesses, the ability to attract and retain labor is partly dependent on the availability of decent and affordable housing.[10] As expressed at many TDHCA public hearings, affordable housing's affect on economic development is of particular concern to rural areas. The relative geographic isolation of some rural communities means they cannot rely on nearby communities for housing that can help support their growth opportunities.

A report from the Joint Center for Housing Studies of Harvard University[11] sums it up well:
"Housing is just as important to communities, because livability and competitiveness go hand in hand. Communities that can attract and retain investment and labor are more likely to succeed in the evolving global economy. Simply put, a suitable living environment is a precursor to economic vitality. So, too, is decent housing. Housing that is excessively costly for the local workforce undermines workers' ability to afford the basic necessities of food, clothing, childcare, health care, and education.

Communities that want to be competitive or regain their competitiveness must provide housing for the full range of workers, from middle-income households and high-end earners to those in the moderate- and lower income range. Achieving a jobs-housing balance that preserves economic diversity is key to success."

TDHCA addresses the priority goals and benchmarks in the following ways.

- The following table shows TDHCA funding allocated during fiscal year 2007 and the corresponding number of housing units to be built or rehabilitated. As described above, this activity has a significant economic impact in the communities where the construction will occur.

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[9] National Association of Homebuilders, "The Local Impact of Homebuilding," http://www.nahb.org/generic.aspx?sectionID=784&genericContentID=35601 (Accessed 5/30/08).
[10] Center for Housing Policy, "Paycheck to Paycheck", http://www.nhc.org/chp/p2p/ (Accessed 5/30/08)
[11] Jack F. Kemp, Kent W. Colton, Henry G. Cisneros, Nicolas P. Retsinas, *Opportunity and Progress, A Bipartisan Platform For National Housing Policy, Special Preview Edition (*Cambridge, Massachusetts: Joint Center for Housing Studies of Harvard University, 2004), 3.

Household Type	Activity	Committed Funds	# of Units Constructed or Renovated
Renter	New Construction	$168,850,824	9,081
	Rehab. Construction	$36,490,721	3,517
Owner	Rehabilitation Assistance	$21,172,691	378

- In addition to the economic benefits derived from constructing housing units with the help of TDHCA resources, as described in the "Health and Human Services" goals and benchmarks section of this report, the rental development and community services programs help persons in need by providing essential employment related services. These services include access to computers, the internet, child care, transportation, job training and employment services, and education services.
- Local governments, organizations, and developers receiving TDHCA funds typically use local labor and companies to complete the work, thus supporting the local economy. For example, local community action agencies operating the Weatherization Assistance Program use local contractors to make energy efficient repairs and improvements.

REGULATORY

Priority Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- implementing clear standards;
- ensuring compliance;
- establishing market-based solutions; and
- reducing the regulatory burden on people and business.

Benchmarks

- Percent of state professional licensee population with no documented violations
- Percent of new professional licensees as compared to the existing population
- Percent of documented complaints to professional licensing agencies resolved within six months
- Percent of new and renewed professional licenses issued via internet
- Percent of state financial institutions and credit providers rated "safe and sound" and/or in compliance with state requirements
- Percent increase in utilization of the state business portal

TDHCA addresses the priority goals and benchmarks in the following ways.

- TDHCA's Portfolio Management and Compliance Division (PMC), in coordination with agency programs, ensures that compliance with federal and state programs is achieved. PMC focuses on maintaining required long term affordability standards, justifying tenant income certification records. PMC also works closely with the program areas to ensure that applicants for funding who have previously received assistance from TDHCA are in compliance with the terms and requirements of those contracts.

- The Manufactured Housing Division (MHD) licenses and regulates those who manufacture, sell, broker, and install manufactured homes. MHD issues and maintains records on manufactured home ownership and location, inspects manufactured home installations, and investigates and oversees the resolution of consumer complaints. It maintains offices in Austin, Dallas/Ft. Worth, Houston, San Antonio, Lubbock, Tyler, Waco, and Edinburg, as well as offers professional license renewals through Texas Online. The Manufactured Housing Division also licenses and inspects migrant farmworker housing facilities and assist the Compliance Division in inspecting TDHCA-monitored multifamily properties.
- Regarding the soundness of financial institutions and credit providers, the Financial Service, Bond Finance, and Single Family Finance Production divisions offer current and future first time home buyers the ability to purchase homes at below market rate with down payment assistance without affecting state debt. Standard & Poor's has awarded TDHCA Bonds with the highest bond rating as a result of efficient and effective accounting practices as well has having a low cost of issuance per bond.

GENERAL GOVERNMENT

Priority Goal

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- supporting effective, efficient, and accountable state government operations;
- ensuring the state's bonds attain the highest possible bond rating; and
- conservatively managing the state's debt.

Benchmarks

- Total state spending per capita
- Percent change in state spending, adjusted for population and inflation
- Ratio of federal dollars received to federal tax dollars paid
- Number of state employees per 10,000 population
- Number of state services accessible by internet
- Total savings realized in state spending by making reports/documents/processes available on the internet
- Affordability of homes as measured by the Texas Housing Affordability Index

TDHCA addresses the priority goals and benchmarks in the following ways.

- TDHCA 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. A database has been developed that includes citizen and nonprofit organizations, local governments, state legislators, public housing authorities, and local public libraries so that, when a public hearing or public comment period is scheduled, all interested parties are notified. Additionally, pertinent information is posted 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, email, and, in some cases, directly at the TDHCA website.

- TDHCA 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 TDHCA's policies, rules, planning documents, and programs, TDHCA has consolidated most of its public hearings related to policy and rule development. Each year, a hearing on all TDHCA programs will be held in each State Service Region the Department uses for planning and reporting purposes. After the regional hearings are held, a separate Board hearing is held specifically on the State Low Income Housing Plan, TDHCA’s key annual planning and policy document, so comment may be provided directly to the Board. Staff is available at each hearing to answer questions and lend technical assistance to attendees.
- All TDHCA program funds are distributed and used with the intention of delivering the highest possible level of assistance. Before being recommended to the Board for approval, all multifamily housing production applications are thoroughly underwritten by the Real Estate Analysis Division to ensure the proposed activity is both financially feasible and uses the minimum required amount of assistance. All of the Department’s internal operations are thoroughly scrutinized by funding source reporting requirements, internal and external audits, and the LBB budgeting and performance measurement system to provide for the most efficient and effective provision of services.
- In support of the agency mission, TDHCA has a strong commitment to providing the citizens of Texas open, online access to information about every agency program and service through detailed web pages, a posted library of agency publications, and customer search tools to find local assistance providers for buying homes, renting, home repair and weatherization, and utility bill payments.
- The TDHCA Interactive page is the website's portal to online services. In addition to the services mentioned above, the Interactive page provides a link to the Manufactured Housing online database of ownership, license, installation, and inspections records. It also includes a Contractor Tools section, which provides both housing and community affairs program subrecipients access to systems for reporting and maintaining contract and compliance data.
- Virtually every report or document that TDHCA produces is available on the website. In the six months from November 2007 to April 2008, the public website received approximately 218,000 visitors. During the same period visitors requested an estimated 627,000 pages including PDF document files. The Manufactured Housing online database garnered an estimate number of 32,000 visitors and 450,200 page requests by Web visitors for the period. In addition, the Division of Policy and Public Affairs’ Information Clearinghouse accommodated a total amount of 25,300 visitors and 23,170 page requests.
- Through the Central Database project, TDHCA automated the processes associated with contract management, draw requests, and compliance reporting. TDHCA housing program personnel administer 2,252 contracts in the TDHCA Contract System (515 contracts with a status other than closed), and over 1,600 accounts are in place for subrecipients who submit electronic contract activity setups and draw requests. Additionally, there are currently 2,463 accounts in place for property owners and managers who submit online status reports on 1,964 active properties with over 216,958 units through the Compliance Monitoring and Tracking System.

- While TDHCA's activities do not directly impact the Texas housing affordability index, which is based on local area income levels and home prices, its single family loan products certainly allow many more people to buy their own home then would otherwise be possible.

TDHCA MISSION

To help Texans achieve an improved quality of life through the development of better communities.

TDHCA PHILOSOPHY

CUSTOMERS

- Advocacy: The Department will actively encourage, support, and promote an improved quality of life for extremely low, very low, low, and moderate income Texans.
- Service: The Department will be responsive to every constituent request and provide every customer with prompt, courteous service.
- Partnership: The Department will foster an atmosphere that is conducive to encouraging and forming public and private partnerships that are responsive to the needs of extremely low, very low, low, and moderate income Texans.
- Equity: The Department will establish processes for the public's full participation in programs and the fair allocation of resources.
- Respect: The Department believes in the worth of all persons and their need for decent, safe, and affordable housing.

OPERATIONS

- Integrity: The Department will conduct business openly, free of bias, and according to the highest ethical and professional standards.
- Accountability: The Department will be answerable and responsive to the Texas Legislature, external customers/consumers, and its various funding sources.
- Efficiency: The work of the Department will be accomplished in the most direct, cost-effective manner.
- Leveraging: Each program will encourage the public and private sector to contribute additional resources that maximize the economic impact of and expand the level of assistance provide by state and federal dollars.

STAFF

- Quality: Each employee will strive for excellence in the work performed.
- Creativity: Department staff will continually seek innovative methods for performing work in their respective fields.
- Respect: The Department recognizes that its employees are the critical element in accomplishing its mission and goals. Therefore, it pledges to support their continued professional development and provide opportunities for reward based on their performance. In doing so, it also pledges to promote a collaborative and positive work environment for all employees.

EXTERNAL/INTERNAL ASSESSMENT

I. OVERVIEW OF AGENCY SCOPE AND FUNCTIONS

A. Statutory Basis

Chapter 2306 of the Texas Government Code outlines the functions of TDHCA as follows:

Sec. 2306.001. Purposes. The purposes of the department are to:

1) *assist local governments in*
   A) *providing essential public services for their residents; and*
   B) *overcoming financial, social, and environmental problems;*
2) *provide for the housing needs of individuals and families of low and very low income and families of moderate income;*
3) *contribute to the preservation, development, and redevelopment of neighborhoods and communities, including cooperation in the preservation of government-assisted housing occupied by individuals and families of very low and extremely low income;*
4) *assist the governor and the legislature in coordinating federal and state programs affecting local government;*
5) *inform state officials and the public of the needs of local government;*
6) *serve as the lead agency for:*
   A) *addressing at the state level the problem of homelessness in this state;*
   B) *coordinating interagency efforts to address homelessness; and*
   C) *addressing at the state level and coordinating interagency efforts to address any problem associated with homelessness, including hunger.*
7) *serve as a source of information to the public regarding all affordable housing resources and community support services in the state.*

B. Historical Perspective

The following events have shaped TDHCA's current organizational structure and program responsibilities.

- In 1991, the 72nd Texas Legislature created TDHCA from the Texas Housing Agency, the Texas Department of Community Affairs, and the Community Development Block Grant (CDBG) 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.
- On September 1, 1995, in accordance with House Bill 785, regulation of manufactured housing was transferred to the Department.
- On September 1, 2001, in accordance with House Bill 7, the 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.
- Also on September 1, 2001, in accordance with Senate Bill 322, the Manufactured Housing Division became an independent entity administratively attached to TDHCA.

- In a recent effort to improve efficiency and effectiveness, the Department implemented a significant reorganization of certain housing related activities and administrative structures.
- TDHCA's programs continue to evolve in response to statutory changes, federal program changes, and public participation.

C. Affected Populations

As established by §2306.001(2), TDHCA is to "provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income…" Per Section 2306.004, individuals and families of the following:

- "extremely low income" earn not more than 30 percent of the area median income or applicable federal poverty line, as determined under Section 2306.123 or Section 2306.1231.
- "very low income" earn not more than 60 percent of the area median income or applicable federal poverty line, as determined under Section 2306.123 or Section 2306.1231.
- "low income" earn not more than 80 percent of the area median income or applicable federal poverty line, as determined under Section 2306.123 or Section 2306.1231,

Section 2306.004 also defines ""Family of moderate income" to be a family:

"(A) that is determined by the board to require assistance, taking into account:

(i) the amount of the total income available for housing needs of the individuals and families;

(ii) the size of the family;

(iii) the cost and condition of available housing facilities;

(iv) the ability of the individuals and families to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing; and

(v) standards established for various federal programs determining eligibility based on income; and

(B) that does not qualify as a family of low income."

For the single family bond funded loans, moderate income would include homebuyers with household incomes up to 115 percent of the area median family income and 140 percent of the area median family income for targeted areas.

Within these income categories, there are households that have special needs which further complicate their ability to find housing. The US Department of Housing and Urban Development (HUD) has designated the homeless, persons with disabilities, the elderly, persons with alcohol and/or drug addictions, persons with HIV/AIDS, and public housing residents as special needs populations requiring special attention. TDHCA also considers colonia residents and migrant farmworkers to be special needs populations with unique needs.

The varying state and federal income categories can cause some confusion when TDHCA reports on the income levels of its assistance recipients in documents with different audiences such as the State Low Income Housing Plan, LBB Performance Measures, and the HUD Consolidated Planning documents.

D. Main Functions

To achieve its mission, TDHCA provides the following types of assistance.

Housing and Community Services Assistance

Types of housing and community services assistance may include:

- housing assistance for individual households (homebuyer mortgage and down payment assistance, home repair, and rental payment assistance);
- funding for the development of apartments (new construction or rehabilitation of rental units);
- energy assistance (utility payments or home weatherization activities);
- assistance for homeless persons and emergency relief for individuals or families in crisis poverty (transitional housing, energy assistance, home weatherization, health and human services, child care, nutrition, job training and employment services, substance abuse counseling, medical services, and other emergency assistance); and
- capacity building assistance (training and technical assistance, assistance with operating costs, and predevelopment loans to help local housing organizations develop housing).

With the exception of most of its community services assistance, TDHCA's funding resources are awarded through formal, published processes. As such, funding is distributed to entities that, in turn, provide assistance to households in need. This distribution is done using a number of techniques.

- Almost all housing development, rehabilitation, and rental assistance related funding is awarded through formal request for proposals and notices of funding availability.
- First time homebuyer mortgage and down payment assistance is allocated through a network of participating lenders.
- Community services funds are predominantly allocated through a network of community based organizations who receive their funding on an annual, ongoing basis.

Funding for the services listed above include the US Department of Housing and Urban Development (HUD), US Department of Treasury (DoT), US Department of Health and Human Services (DHHS), and US Department of Energy (DoE), and Texas general revenue funds.

Manufactured Housing Activities

TDHCA's Manufactured Housing Division (MHD)[12] administers the Texas Manufactured Housing Standards Act. The act ensures that manufactured homes are well-constructed and

[12] The Manufactured Housing Division is an independent entity within TDHCA that is administratively attached, but has its own Board of Directors and Executive Director.

safe, are installed correctly, that consumers are provided fair and effective remedies, and that measures are taken to provide economic stability for the Texas manufactured housing industry. MHD's services include issuances of Statement of Ownership and Location (SOL) research; training and license issuances to individuals for manufactured housing manufacturing, retailing, rebuilding, installations, broker, or sales; records and releases on tax and mortgage liens; installation inspections; consumer complaints; and federal oversight under a cooperative agreement with HUD.

Information Resources

TDHCA is a housing and community services informational resource for individuals, local governments, the Legislature, community organizations, advocacy groups, and members of the housing development community. Examples of information it provides include: general information on TDHCA activities, US Census data analysis, and consumer information on available housing and supportive service assistance statewide. A primary method by which this information is made available is TDHCA's interactive consumer assistance website at http://www.tdhca.state.tx.us/assist_main.htm.

In all of its activities, 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. *Table 1. Summary of TDHCA Functions* briefly describes the activities assisted by and households served by each TDHCA program.

E. Public Perception

TDHCA is seen as a financial and administrative resource that helps provide essential services and affordable housing opportunities to Texans who qualify for this assistance based on their income level. Additionally, the Department is seen as a resource for educational materials and technical assistance for housing, housing related, and community services matters.

A common misperception is that TDHCA has regulatory authority over all aspects of housing throughout the state, from homeowners associations to the home building industry. As a result, requests are often made to intercede in issues that are not related to departmental business. There is also some confusion regarding the roles, duties, and jurisdictions of TDHCA and federal, state, and local housing agencies. TDHCA staff seeks to clarify the Department's role through its website and publications, and by directing inquiries to appropriate service providers.

TDHCA is perceived as an organization that focuses on providing affordable housing assistance to very low income and low income persons and families. The basic structures of its largest multifamily rental funding sources, HTC and MFB programs, mainly serve households at or below 50 and 60 percent of the area median income. Those developments that are able to utilize very limited funds from another affordable housing program, such as the HOME program, are often able to reach households with even lower incomes.

Table 1: Summary of TDHCA Functions

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 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

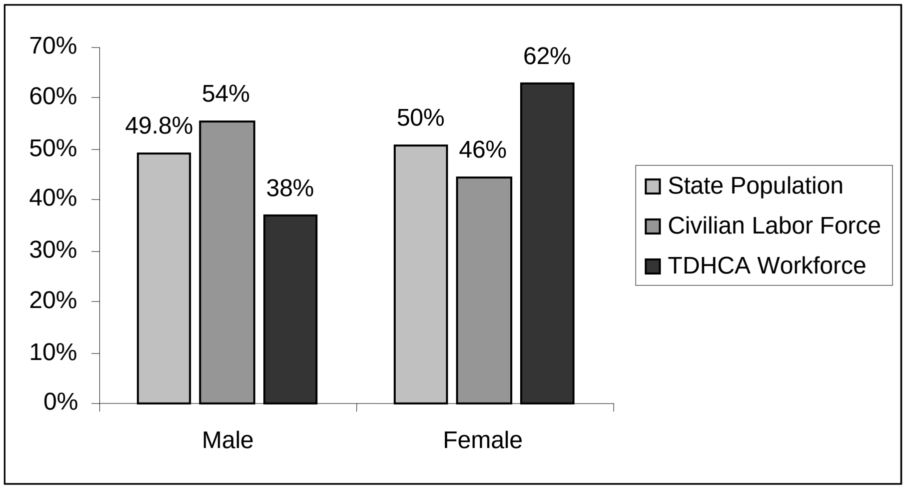
At times, a conflict exists between the actual characteristics of and the public perception of “affordable housing.” This conflict is fed by some public perceptions as to the residents’ income levels and employment status; construction quality, design, and density of the developments; and socio-economic impacts on the surrounding neighborhood. TDHCA is sometimes perceived as placing affordable rental housing in neighborhoods without adequately addressing the concerns of area residents. Because the development of any type of housing involves partnerships between the community, developers, and government, the Board and TDHCA staff go to great lengths to encourage developers to communicate and work with neighborhood groups to ensure their voice is heard throughout the process. TDHCA takes seriously its obligation to evaluate community input on funding decisions, including making neighborhood input a scoring criterion for the HTC Program. Public comment is solicited throughout the state as part of the housing application process, and public comment is taken before and during each Board meeting. This comment is balanced with the goal of ensuring that low income Texans have opportunities to live in desirable parts of their community with access to the area’s employment, educational, health, and social amenities.

II. ORGANIZATIONAL ASPECTS

A. Size and Composition of Workforce

As of May 1, 2008, TDHCA had a total headcount of 285 employees. The agency is authorized to have 298 total full-time equivalents (FTEs). Additionally, TDHCA was allocated funds for the Community Development Block Grant (CDBG) disaster recovery program as part of the disaster relief efforts after Hurricane Rita. There are 12 FTEs that are budgeted for this program currently. Out of the 285 employees there are 10 FTEs allocated as part of the CDBG disaster recovery relief program. These FTEs are not counted as part of the FTE cap per Article IX under “federally funded” rule but are included in the FTE count for EEO reporting purposes. These FTEs are considered temporary positions and will be part of TDHCA for at least the next biennium or until federal disaster funds are expended.

The following charts profile TDHCA’s workforce and include both full-time and part-time employees. The TDHCA workforce is comprised of 38 percent males and 62 percent females. As shown in the table below, the TDHCA workforce has a higher representation of female workers than the state population and civilian workforce.



Workforce by Age

Approximately 62 percent of TDHCA's workforce is over the age of 40. This indicates that the workforce has a high level of overall work experience. TDHCA continues to be successful in the recruitment and retention of employees in this age group. The average age of TDHCA employees is 44.

Employee Tenure

Approximately 46 percent of TDHCA employees have less than 5 years of TDHCA service, 25 percent with 6-10 years of experience, 23 percent with 11-15 years of experience, and 6.3 percent with more than 15 years experience. The average number of years of service for Department employees is 11 years. TDHCA continually strives to ensure that employees are appropriately compensated; to improve internal communications through a variety of venues, to promote training and career development; and coordinate employee service recognition activities to motivate employees and to improve employee retention.

Age

Age Group	Population	Percentage
Under 30	21	7.4%
30-39	87	31%
40-49	84	29.4%
50 – 59	77	27%
60 and over	16	5.6%
Total	285	

As of April 30, 2008

Employee Tenure

Tenure Range	# of Employees	% of Total
<1 year	35	12.3%
1 – 5	97	34%
6 – 10	71	25%
11 – 15	66	23%
16 – 20	11	3.9%
21 – 25	3	1.1%
26 – 30	2	07%
30 +	-	-
Totals	285	100%

As of April 30, 2008

TDHCA's Workforce and the Statewide Civilian Workforce

The tables and charts that follow compare the percentage of African American, Hispanic, and Female TDHCA employees (as of April 30, 2008) to the statewide civilian workforce as reported by the Texas Workforce Commission Civil Rights Division. Overall, the race and ethnic composition of the TDHCA workforce is very diverse and exceeds the state percentages.

However, there are four areas where TDHCA's Equal Employment Opportunity (EEO) employment percentages are less than the state's percentages:

- Female Technicians (The presence of under-representation in this category is thought to be caused in large part by the small number of employees in this category).
- Female-Official/Administration (This category shows a slight under-representation, less than one percent, for females as compared to the state).
- African American-Official Administration
- African-American Technicians

TDHCA targets recruitment resources that reach out to the workforce in the under-represented categories so that the applicant pool represents the ethnicity and gender to meet EEO goals of the state.

Description of TDHCA Workforce by Ethnicity and Gender

	African American		Hispanic		White		Other		Total	
Equal Employment Opportunities (EEO) Categories*	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
A - Administrators and Officials	-	-	3		9	7	-	-	12	7
P - Professionals	7	22	19	54	31	56	1	6	58	138
T - Technician	3	-	8	2	21	5	-	-	32	7
Q - Para-professionals	1	4	-	6	-	3	-	-	1	13
C - Administrative Support	2	3	0	6	3	2	-	-	5	12
Total by Race/Ethnicity & Gender	13	29	30	68	64	74	1	6	108	177
Percent of Total by Race/Ethnicity & Gender (%)	5	10	11	24	29	26	0.4	2	38	62
Total by Race/Ethnicity	42		98		138		7		285	
Pct of Total by Race/Ethnicity	15%		34%		48%		2%			

*A – Administrators and Officials: directors, employees establishing broad policy and exercising responsibility for execution of those policies.

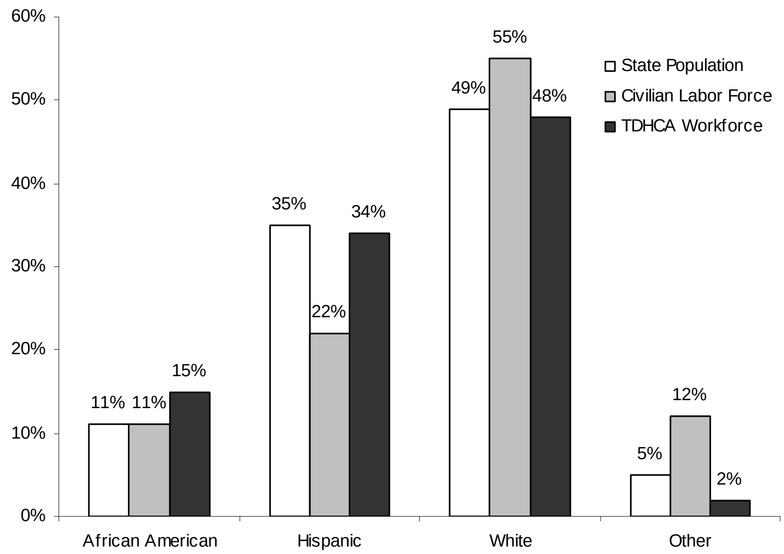
P – Professionals: accountants: systems analysts, attorneys, occupations requiring specialized training or education.

T – Technician: computer technicians, occupations requiring basic scientific or technical knowledge.

Q – Para-professionals: persons performing some of the duties of professionals in a supportive role.

C – Administrative Support: these include clerical payroll clerks, legal assistants, office machine operators, statistical clerks, and bookkeepers.

Comparison of TDHCA Workforce by Race/Ethnicity to State Population and Civilian Workforce



Source: US Census, 2006 American Community Survey; TDHCA Human Resources Data; Uniform Statewide Payroll System (2008 data); and Bureau of Labor Statistics (2004)

TDHCA's workforce is in close correlation to the State population by race and ethnicity.

Comparison of TDHCA EEO and Statewide Employment Statistics

	% African American		% Hispanic		% Females	
Job Category	TDHCA	State	TDHCA	State	TDHCA	State
Officials/Administrators	-	6.6%	16%	14.2%	37%	37.3%
Professionals	15%	8.3%	37.2%	13.4%	70.4%	53.2%
Technicians	7.6%	12.4%	25.6%	20.2%	17.9%	53.8%
Para-Professionals	35.7%	13.8%	42.8%	40.70%	92.8%	39%
Administrative Support	29.4%	11.2%	35.2%	24.10%	70.5%	64.7%

Source: TDHCA Human Resources Data and Bureau of Labor Statistics, Geographic Profile, 2004 for the state of Texas.

Agency Turnover

Percent of Workforce Eligible to Retire

Of the current 285 employees, there are 17 employees or 6 percent who are currently eligible to retire under the "Rule of Eighty". Ten of these employees are from the Manufactured Housing Division and all of these employees work in the field offices as Inspectors. Within the next biennium there will be 11 employees eligible to retire under the "Rule of Eighty". This will be a total of 10 percent employees eligible for retirement.

Of the current 285 employees there will be 8 employees or 3 percent that will be eligible to retire as a result of reaching the age of sixty with five years of service in the next biennium.

It should be noted that TDHCA currently has six retiree rehires. Management is aware of the impact they will have on the loss of knowledge and skill base and is continually looking at methods to replace this knowledge through:

- Employee Development
- Mentoring Program
- Cross divisional training

Projected Employee Turnover Rate over the Next Five Years
In FY2007 the turnover rate for TDHCA was at its lowest point in comparison to the previous turnover rates. As shown by the chart below, TDHCA's turnover rates have historically been under the state turnover rates and have fluctuated.

Historical Employee Turnover Rate

Entity	FY2003	FY2004	FY2005	FY2006	FY2007
Statewide Turnover	18.2%	42.1%	19.1%	17.9%	19.2%
TDHCA Turnover	16.6%	13.4%	15%	12.5%	8.6%

Source: SAO E-Class as of 4/21/08. Turnover rates include interagency transfers.

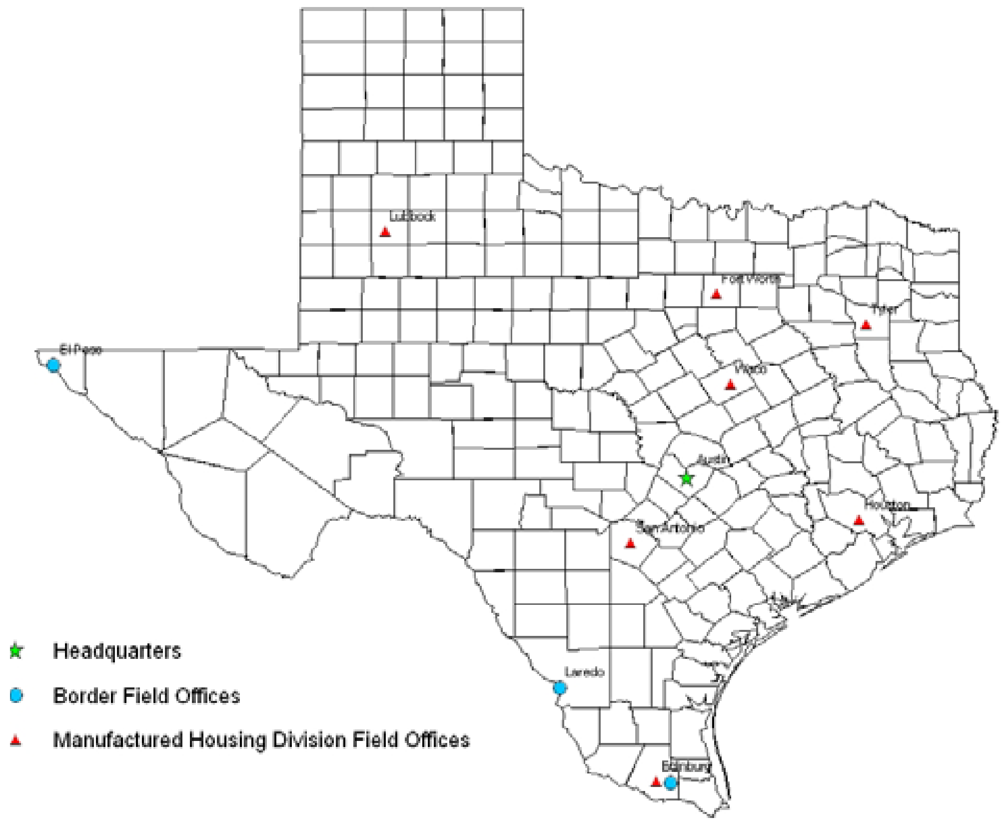
B. Organizational Structure and Process
TDHCA is organized under four divisions that report to the Executive Director: Administration, Programs, Legal Services, and Public Affairs. Within the Programs Division, activities are organized under the following categories: Community Affairs, Office of Colonia Initiatives, HOME, Homeownership, Multifamily Finance Production, Real Estate Analysis, and Housing Resource Center. Within the Administration Division, activities are organized under the following categories: Administrative Support, Bond Finance, Financial Administration, Information Systems, and Portfolio Management and Compliance (PMC). The Internal Audit Division reports directly to the Board. The Manufactured Housing Division operates within TDHCA as an administratively attached but independent entity. An organizational chart of the Department is provided as Appendix B.

TDHCA's Executive Director is employed by the Board with the approval of the Governor. The Executive Director is responsible for administering the work of the Department. The seven-member Governing Board, appointed by the Governor with advice and consent of the Senate, works with the Executive Director to develop policies and programs to meet the needs of the mission and goals of the Department.

C. Geographical Location of Agency

TDHCA's headquarters is located in the state owned State Insurance Building Annex at 221 East 11th Street, Austin, TX 78701. OCI has Border Field Offices located in Edinburg, El Paso, and Laredo. The Manufactured Housing Division has field offices located throughout the state in Dallas-Ft. Worth, Edinburg, Houston, Lubbock, San Antonio, Tyler, and Waco.

Figure 1: TDHCA Locations



D. Location of Service Populations and Regions

TDHCA is committed to equitably and effectively serving citizens in all areas of the state. For its general planning and reporting purposes, a 13 region geographic configuration of the state's 254 counties is used. These state service regions, which were developed by the Texas Comptroller of Public Accounts, are referenced in §2306.111(d) which calls for the regional allocation of TDHCA's HOME, HTC, and HTF funding. A map of the regions are shown below in Figure 2.

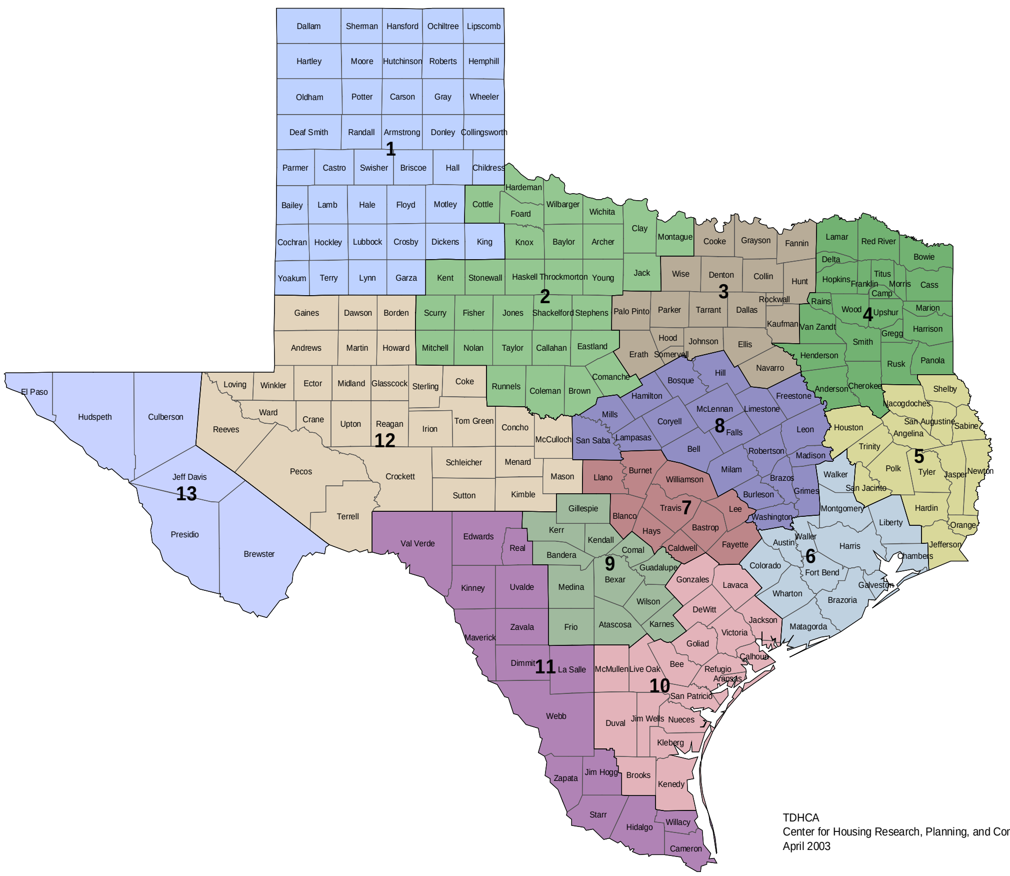
TDHCA funding is regionally allocated via the following:

- HOME, HTC, and HTF funding is allocated by formula to be distributed within each region. It should be noted that in some instances funding from these programs that is used to fulfill federal, state, or board mandated set-asides may be exempted from the regional distribution formula.
- MFB financing is allocated statewide based on a lottery method controlled by the Texas Bond Review Board.

- ESG, CSBG, CEAP, and WAP funding is allocated statewide through a network of subcontractors. Each subcontractor receives a funding allocation based on the level of need within the counties they serve. There may be multiple subcontractors within each region.
- A statewide network of participating lenders is used to distribute the single family bond financing. The final distribution of funding is based on consumer demand.

As described below, a wide variety of program regulations, market conditions, and legislative requirements affect TDHCA's statewide resource distribution.

Figure 2: TDHCA Service Regions



Colonias

TDHCA has specific policy goals, strategies, and programs designed to support the improvement of living conditions of colonia and border residents along the Texas-Mexico border region. A “colonia,” Spanish for “neighborhood” or “community,” is a geographic area located within 150 miles of the Texas-Mexico border that has a majority population comprised of individuals and families of low and very low income who lack safe, sanitary, and sound housing. This includes a lack of basic services such as potable water, adequate sewage systems, drainage, streets, utilities, paved roads, and plumbing. As discussed in detail in the “III. Fiscal Aspects” section of the Plan, there are a number of Legislative Riders that dedicate specific amounts of TDHCA funding to serve these communities.

Rural and Urban Needs

As the migration of population and industries continues to urban and suburban areas, the less-populous areas of the state are faced with an aging housing stock and households with lower incomes than their urban or suburban counterparts. To address the income disparity and reduced access to housing and community services resources (e.g., larger communities and regions have greater access to bonds, a large tax base, and investment capital) in less-populous areas, TDHCA gives focused consideration of rural areas when developing its housing programs and the rules that govern these programs.

Specific examples of how TDHCA addresses rural needs include:

- It is legislatively required that 95 percent of the TDHCA HOME funding be allocated to non-participating jurisdiction areas. Because participating jurisdictions (PJs), which are larger metropolitan cities and more populous counties, receive HOME program funds directly from HUD, TDHCA directs its HOME program allocation to non-PJ areas of the state. The remaining 5 percent of HOME funds may be expended in any area of the state, but only if it funds an activity that serves persons with disabilities.
- §2306.111(d) and 2306.1115 requires that the regional allocation formula used to distribute HOME, HTC, and HTF funding consider existing housing need and available resources to meet this need in rural and urban areas.
- TDHCA and ORCA jointly administer the HTC Program rural allocation. ORCA helps develop and approves all thresholds, scoring, and underwriting criteria for the rural allocation. The resulting joint outreach, training, and rural area capacity building efforts help increase participation in the rural set-aside.
- 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.

Regional Allocation Plans

As required by federal or state laws, TDHCA has developed regional allocation formulas for many of its programs. These formulas are based on objective measures of need and available resources that help ensure an equitable distribution of funding across the state.

2008 HOME, HTC, and HTF 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. For the 2008 RAF, resources from the following sources were used: 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.

2008 ESGP Allocation Formula

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.

2008 CSBG Allocation Formula

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.

2008 CEAP and WAP Allocation Formula

The allocation formula for the Comprehensive Energy Assistance and Weatherization Assistance programs 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).

Other Factors that Affect the Distribution of Funds

In order to simplify the application process and direct monies quickly to address rural needs, HOME funds are awarded through an ‘open-cycle’ (first-come, first-served) application process. Under the 2008 HOME Investment Partnership Program rules, threshold criteria incentivizes income targeting, uses the Affordable Housing Needs Score (AHNS), requires a minimal match contribution and is conditioned on successful completion of previous HOME awards. Additionally, this process includes a review of past performance to be in good standing with the Department at the time of award. If applicants have received awards previously and have been deobligated due to non-performance of a contract, they are ineligible to receive funds from the HOME program for a period no less than 12 months. This process ensures the integrity of the RAF as required by Chapter 2306, compliance with federal program regulations, and state program rules. By incentivizing those applicants targeting lower income populations and utilizing the AHNS, the Department is able to ensure that the neediest Texans receive program benefit.

For applications that involve HTCs, applicants must receive a resolution from the local governing body for approval to add new units if the application is proposing new construction that is within one mile of an existing development that has received an allocation of Housing Tax Credits or Private Activity Bonds for new construction within the last three years and that serves the same population type (elderly/elderly or family/family). This applies to applications proposing New Construction and Adaptive Reuse in counties with over one million in population. Additionally, applications proposing development in a city or county that has more than twice the state average per capita of affordable housing units supported by Housing Tax Credits or Private Activity Bonds must receive a resolution from the local governing body for approval to develop in that city or county. This applies to applications proposing New Construction, Adaptive Reuse, and Acquisition/Rehabilitation.

E. Human Resource Strengths and Weaknesses

The following is an outline of human resource strengths and weaknesses in the areas of training, experience, compensation/benefits, turnover rates, impact of early retirements, succession planning, strength of policy, etc.

Human Resources Strengths

- The Department's turnover for fiscal year 2007 (8.6%) was at its lowest point in comparison to the previous fiscal years and in comparison to fiscal year 2007 state turnover rate of 17.4%. The low turnover rate indicates that staff is committed to its clients and to the Department in carrying out its mission and goals.
- The Department is committed to providing staff with opportunities to attend continuing education courses to enhance their educational background and skills. The Department recently increased the amount of financial assistance for employees who are interested in pursuing under graduate and post graduate education.
- The Department's workforce has a depth of institutional knowledge of the programs. Staff has demonstrated a strong commitment to its clients and customers in providing public service to Texas communities and advocacy groups.
- The Department has a highly diverse workforce which creates an environment of higher employee morale, increases creativity, and leads to a higher retention of employees.
- The average staff tenure for the Department is 11 years. The Department has in depth institutional knowledge and highly skilled technical staff in the areas of housing finance and federal programs.

Human Resources Weaknesses

- The Department needs to improve its current method to evaluate staff as part of the annual performance review process. The Department will focus on securing a new system next fiscal year that will provide objective means to measure staff performance.
- While the Department has made great stride in equitable and fair pay among staff, this continues to be an area of weakness. The Department continues to address this issue through continued review of salary actions, reviewing salaries for pay equity, and granting pay equity adjustment.
- The Manufactured Housing Division has a projected retirement of at least 11 employees currently. Should this staff decide to retire the Division does not have a plan on how to recruit and fill these positions immediately.
- The Department is understaffed relative to our FTE cap of 298.

F. Capital Assets

Strengths and Weaknesses

Technological capital asset strengths include:

- Secure, low cost, high performance, and highly available gigabit local area network and high speed wide area network (WAN). TDHCA's WAN, implemented in 2003, is part of the TEX-AN telecommunications service and allows seven Manufactured Housing and three OCI regional offices to connect to the TDHCA local area network.
- Third party enterprise business applications, including PeopleSoft Financials 8.8, Mitas Automated Accounting and Loan Administration software, HAPPY Section 8 software, and custom enterprise business applications, including contract systems for housing and community affairs programs and the Compliance Monitoring and Tracking System.
- Supported personal computer and laptop operating systems, office productivity software, and other specialized end user software installed as required for each Department employee.
- A mixture of mid-range and low-end servers that house TDHCA business applications.
- A small, well designed, server room facility that is shared with the Office of the Comptroller of Public Accounts.

Technological capital asset weaknesses include:

Current use of an end-of-life legacy system for the Manufactured Housing Division (MHD). However, TDHCA is on schedule with its FY 2008-2009 Manufactured Housing System Upgrade project. TDHCA plans to launch the new system in FY 2009.

The system will support all major MHD business functions, including titling, installation and tracking, tax lien processing, licensing, and consumer complaint activities. Key Manufactured Housing System Upgrade goals are to:

- rebuild the system on a platform and with a design that resolves current difficulties in maintaining the system,
- Web-enable services such as submitting titling applications, tax liens, and notices of installations, and
- expand the use of Texas Online beyond manufactured housing license renewals to include providing customers the ability to pay for new licenses and pay titling fees online.

Needs and Prioritization

Throughout the FY 2009-2013 time period, TDHCA will focus on the following technology initiatives in support of Department objectives:

- Manufactured Housing System Upgrade (FY 2008-2009 capital budget project)
- PeopleSoft Financials version upgrades to stay up-to-date with the Office of the Comptroller of Public Accounts Integrated Statewide Accounting System (ISAS) version of PeopleSoft Financials
- Yearly upgrades of the Mitas Automated Accounting and Loan Servicing systems
- Frequent upgrades of the HAPPY Housing Pro Section 8 System
- IT security and disaster preparedness
- Web site enhancements to provide customers easier access to information

- Enhancement projects for the Department's custom systems
- Continued technical support for Department employees and external customers

G. Agency Use of Historically Underutilized Businesses

It is TDHCA's policy to demonstrate a good faith effort to provide procurement and contracting opportunities for all minority-owned and women-owned businesses. TDHCA understands and recognizes the challenges that occur during the bid process for these businesses. Therefore, it is committed to the recruitment and promotion of Historically Underutilized Businesses (HUBs) in all procurement processes. TDHCA's General Policies and Procedures for Historically Underutilized Businesses is referenced in Texas Administrative Code, Title 10, Part 1, Chapter 1, SubChapter A, Rule §1.6. A Department HUB Coordinator has also been designated, in accordance with Section 2161.062, Government Code.

TDHCA continues to achieve the state goals for procurement awards to HUBs and subcontracting of HUB vendors through staff education on procurement policy rules and procedures, and through aggressively recruiting and assisting HUB businesses. TDHCA also participates in vendor forums during the fiscal year, both exhibiting and co-hosting forums.

H. Key Organizational Events and Areas of Change and Impact on Organization

In the second quarter of FY 2007, TDHCA reorganized several divisions to realign certain programs by funding stream. All components of the HOME Investment Partnerships Program, including multifamily and single family finance, and aspects of program monitoring and compliance, were reconsolidated under the new HOME Program Division. This division also manages the Housing Trust Fund. TDHCA's other single-family housing programs, including the First Time Homebuyer Program, Mortgage Credit Certificate Program, Texas Loan Star Program, and Texas Statewide Homebuyer Education Program, are administered by the Texas Homeownership Division.

I. Use and Anticipated Use of Consultants and Contractors

To effectively achieve its mission, TDHCA will continue to use consultants and contract workers in areas where their unique skills and experience represents the most effective use of the State's resources. Three divisions that expect the greatest ongoing use of consultants are PMC, IS, and Bond Finance.

PMC

TDHCA monitored the FDIC's Affordable Housing Program under a Memorandum of Understanding. The day to day oversight of the properties was outsourced to Monitoring Data Systems Inc. In April of 2008, TDHCA provided the FDIC with notice of termination of the MOU effective September 1, 2008. Therefore, the Department will no longer contract with Monitoring Data Systems Inc. The full time employee positions that were dedicated to this function will monitor TDHCA funded properties.

The Internal Revenue Service requires State Housing Finance Agencies to use local health, safety, and building codes or the Uniform Physical Condition Standards to assess the physical condition of HTC developments. In Texas, building codes vary from city to city and many areas do not have code enforcement at all. To ensure a uniform inspection standard is used state wide, the Department has elected to use Uniform Physical Condition Standards inspections for tax credit developments. Since March of 2005 TDHCA outsourced the Uniform Physical Condition Standards through a competitive process. In January of 2008, TDHCA contracted with two firms to provide these services; Onsite Insight and the Inspection Group.

TDHCA monitors received training in the Uniform Physical Condition Standards inspection protocol in November of 2007 to diminish dependence on an outside contractor. In the future, TDHCA staff will be conducting the bulk of these inspections. Only high risk developments will be outsourced until sufficient internal expertise and experience is attained.

In the past, TDHCA worked with ICF Consulting, Inc. to increase staff and administrator capacity in the HOME program. TDHCA staff has not needed the assistance of ICF in the last year. It is not anticipated that technical assistance will be needed from ICF in the future.

Information Systems Division

TDHCA's Information Systems Division makes limited, targeted use of consultants for approved capital budget projects and software development support. In the current biennium, the Department has employed one contract developer to assist in the support of PeopleSoft Financials 8.8 and two contract developers to help support the Community Affairs Contract System and the Community Development Block Grant module of the Housing Contract System. Additionally, the Department plans to utilize two contract developers for the Manufactured Housing Systems Upgrade, an FY 2008-2009 capital budget project. Consultants are used for projects and support in cases where skills specialized or additional staffing are needed for a specific timeframe.

Bond Finance

The Bond Finance division uses the following types of consultants:

- Bond Counsel – A nationally recognized law firm or firms experienced in the issuance of mortgage revenue bonds.
- Financial Advisor **–** Typically an investment banking firm experienced in issuance of mortgage revenue bonds.
- Master Servicer/Administrator – A financially sound bank or trust company experienced in tax compliance review and loan servicing for tax-exempt single family mortgage revenue bond programs.
- Disclosure Counsel – A law firm experienced in securities laws particularly as it relates to disclosure of information by securities issuers to the private markets.
- Rating Agencies – A national rating agency which analyzes bond issues and assigns a rating to them to indicate to prospective bondholders the investment quality of the issue.

- Interest Rate Swap Advisor – Primarily monitors interest rate swaps used to hedge single family mortgage revenue bonds.
- Guaranteed Investment Contract Broker – Provides reinvestment services for single family mortgage revenue bond issues, single family commercial paper issues, and/or multifamily mortgage revenue bond issues.

III. Fiscal Aspects

A. Size of Budget

The following chart provides historical funding levels by goal. Goal A: Affordable Housing includes appropriated and non-appropriated resources as below described. The non-appropriated HTCs, single family, and multifamily non-appropriated amounts are estimates in fiscal years 2008–2009.

One significant change in the bill pattern was associated with Goal B. Over the 2002–03 biennium, ORCA was created with the passage of House Bill 7 (77th Legislative, Regular Session). With the creation of ORCA, CDBG funds, CDBG general revenue (GR) Match, and GR associated with Local Government Services were shifted from TDHCA to ORCA. This reduced TDHCA's federal funds by $167,090,099 and GR funds by $2,955,133 (Article IX, Section 10.95, and Contingency for House Bill 7). The funding amounts for Goal B for 2006-2009 represent funding for TDHCA's OCI and Housing Resource Center divisions.

Table 9: Appropriated Funds

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
Goal A: Affordable Housing	$63,200,684	$57,193,100	$60,085,072	$56,500,789	$51,740,565	51,772,518
Goal B: Colonia Service Centers (Pre 79th Leg.)	$713,186	$680,177	$-	$-	$-	$-
Goal B: Info. & Tech. Assist. (Post 79th Leg.)	$-	$-	$1,354,939	$1,357,663	$1,447,412	$1,450,647
Goal C: Poor and Homeless	$79,457,061	$79,379,015	$83,059,961	$83,002,846	$84,766,853	$84,762,697
Goal D: Ensure Compliance	$3,072,650	$2,991,874	$4,240,709	$4,278,876	$4,006,867	$3,983,682
Goal E: Manufactured Housing	$4,804,136	$4,824,009	$3,840,814	$3,840,815	$4,473,928	$4,630,222
Goal F: Indirect Administration	$6,690,989	$6,700,482	$6,389,609	$6,317,595	$6,171,621	$6,216,236
Total Appropriated Funds	$157,938,706	$151,768,657	$158,971,104	$155,298,584	$152,607,246	$152,816,002

Source: General Appropriation Bills, 78th through 80th Legislative Sessions

Table 10: Non-Appropriated Funds for Goal A, Affordable Housing

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
Funding Amount	$438,225,000	$390,925,000	$471,680,000	$399,495,000	394,125,000	$343,000,000

Table 11: Total, All Funds

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
Funding Amount	$596,163,706	$542,693,657	$630,651,104	$554,793,584	$546,732,246	$495,816,002

Table 12: Non-Appropriated Funding Detail

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
HTCs	$61,000,000	$61,000,000	$63,000,000	63,000,000	63,000,000	63,000,000
Multifamily Bond Funds	$130,000,000	$150,000,000	150,000,000	150,000,000	89,000,000	90,000,000
Single Family Bond Funds	$247,225,000	$179,925,000	$258,680,000	$186,495,000	$242,125,000	$190,000,000
Total Non-Appropriated Funds	$438,225,000	$390,925,000	$471,680,000	$399,495,000	394,125,000	$343,000,000

B. Method of Finance

The methods of finance for appropriated funds since the fiscal year (FY) 04–05 biennium are shown below.

Table 13: Methods of Finance

	2004	*2005*	*2006*	*2007*	*2008*	*2009*
Federal Funds	$131,040,487	$130,979,680	$135,505,609	$135,387,385	$128,733,144	$128,697,779
Appropriated Receipts	$14,480,704	$14,353,145	$15,460,458	$15,418,498	$16,586,560	$16,787,596
General Revenue (GR)	$11,484,471	$5,485,384	$7,109,007	$3,596,671	$7,219,287	$7,262,372
Earned Federal Funds	$850,077	$867,481	$813,030	$813,030	$-	$-
Interagency Contracts	$82,967	$82,967	$83,000	$83,000	$68,255	$68,255
Total Appropriated Funds	$157,938,706	$151,768,657	$158,971,104	$155,298,584	$152,607,246	$152,816,002

Source: General Appropriation Bills 78th through 80th Legislative Sessions

Federal Funds: These funds are the Department's primary appropriated funding source. Federal funds make up 84 percent of the total funds appropriated to the Department in the 2008–2009 biennium. As such, these funding levels are subject to change to reflect priorities at the federal level. Short term expectations for each of the funding sources is described in "VII. Impact of Federal Statutes/ Regulations, Description of Current and Anticipated Federal Activities." HUD and DHHS are TDHCA's largest federal grantor agencies.

Appropriated Receipts: These funds represent approximately 11 percent of the total funds appropriated to the Department. The funds are comprised of fees collected to administer the

Department's housing programs or from its regulation of the manufactured housing industry. Compliance and application fee revenues provide a method of finance to support and administer the HTC Program. Fees to issue Mortgage Revenue Bonds are used to support programs and other indirect administrative costs. The Manufactured Housing Division also generates revenue through fee collections. The majority of the fees collected are pursuant to the issuance of titles, licenses and from installation inspections. The Legislature allocates the fees to the Department as Appropriated Receipts and General Revenue.

General Revenue: These funds make up 5 percent of total funds appropriated to the Department. The HTF is the primary program receiving GR funds and is the only affordable housing program funded by State funds.

Earned Federal Funds: As of the 2008-2009 biennium, these funds are regarded as General Revenue under the General Appropriations Act and are therefore not reflected as a separate Method of Finance.

Interagency Contracts: This source, which is less than 1 percent of the Department's funding, currently supports Goal B: Colonia Service Centers and originate from ORCA.

The Department applies for new federal funding as it becomes available. Should it receive additional federal funds, FTE and travel waiver requests may be submitted, depending on the increased workload new federal programs require. Currently, the Department has complied with FTE and travel limitations as set forth in the appropriation bills.

C. Per Capita and Other States' Comparisons

The majority of funding for TDHCA comes either directly from the federal government or through federally authorized tax credits or bonds. In general, funding amounts for these programs are based on a state's population. For this reason Texas, the second most populous state in the nation, receives a relatively large amount of federal funds. In contrast, when comparing levels of state appropriations through trust funds or other designated sources, Texas falls far behind the rest of the country. For 2006, the most recent year with comparable data, the State of Texas appropriated approximately $3 million to provide for the HTF. Using the U.S. Census Bureau's state population estimate of 23,507,783, Texas' per capita spending on affordable housing is $0.13. Table 14 provides comparisons of state-appropriated housing funds from the other five largest states in the nation.

Table 14: Comparison of State Per Capita (Sorted by State Funding Level)

State	*2006 Population*	*2006 State Funding*	*Per Capita Spending*
California	36,457,549	$35,901,613	$0.98
New York	19,306,183	$100,200,000	$5.19
Florida	18,089,889	$442,892,623	$24.48
Illinois	12,831,970	$82,850,000	$6.46
Pennsylvania	12,440,621	$25,000,000	$2.01
Texas	23,507,783	$3,049,869	$0.13

Sources: US Census Bureau; *Factbook: 2006 National Council of State Housing Agencies Annual Survey Results*, State Housing Finance Agencies.

D. Budgetary Limitations

Statutory and Federal Restrictions

State and federal statutes and regulations place many restrictions on the use of TDHCA funds. These restrictions affect a wide variety of program characteristics including limitations on eligible household income levels and allowable rents, maximum loan sizes, and funding allocation scoring and distribution criteria. Additionally, these programs have complex portfolio management and compliance requirements. A few specific examples of budgetary directives found in federal and state statute and regulations that regulate the use of specific funding include:

- 24 Code of Federal Regulations, Section 92.300(a)(1), requires that 15 percent of total HOME Investment Partnerships Program funds be reserved for use by community housing development organizations (CHDOs).
- §2306.111(c) requires that 95 percent of the TDHCA HOME funding be allocated to non-participating jurisdiction areas. Because participating jurisdictions (PJs), which are larger metropolitan cities and more populous counties, receive HOME program funds directly from HUD, TDHCA directs its HOME program allocation to non-PJ areas of the state. The remaining 5 percent of HOME funds may be expended in any area of the state, but only if it funds an activity that serves persons with disabilities.
- §2306.111(d) requires that the regional allocation formula used to distribute HOME, HTC, and HTF funding, §2306.111(d) consider existing housing need and available resources to meet this need in rural and urban areas.
- Section 2306.7581(a-1), Texas Government Code, requires the Department to provide $3 million per year in Housing Trust Funds toward the Texas Bootstrap Home Loan ("Owner-Builder") Program.

Appropriations Riders

The Department will fully comply with all caps on funding and FTEs. The following section describes the Riders from the 2008-2009 Bill Pattern (Article VII, 3-7, General Appropriations Act, 80th Regular Session, and House Bill 1)

"Rider 1: Performance Measure Targets. The following is a listing of the key performance measure target levels for the Department of Housing and Community Affairs. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Department of Housing and Community Affairs. In order to achieve the objectives and service standards established by this Act, the Department of Housing and Community Affairs shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2008	**2009**
A. Goal: AFFORDABLE HOUSING		
Outcome (Results/Impact):		
% of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	0.91%	0.87%
% of Households/Individuals of Very Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	0.28%	0.27%
% of Households/Individuals of Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	3.15%	3.02%
% of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	0.10%	0.08%
A.1.1. Strategy: MRB PROGRAM - SINGLE FAMILY		
Output (Volume):		
# of Households Assisted with Single Family Mortgage Revenue Bond Funds	2,016	1,716
A.1.2. Strategy: HOME PROGRAM - SINGLE FAMILY		
Output (Volume):		
# of Households Assisted with Single Family HOME Funds	1,255	1,255
A.1.3. Strategy: HTF – SINGLE FAMILY		
Output (Volume):		
# of Households Assisted through the Single Family HTF Program	228	209
A.1.4. Strategy: SECTION 8 RENTAL ASSISTANCE		
Output (Volume):		
# of Households Assisted through Statewide Housing Assistance Payments Program	1,494	1,494
A.1.5. Strategy: FEDERAL TAX CREDITS		
Output (Volume):		
# of Households Assisted through the HTC Program	12,261	11,779
A.1.6. Strategy: HOME PROGRAM – MULTIFAMILY		
Output (Volume):		
# of Households Assisted with Multifamily HOME Funds	500	526
A.1.8. Strategy: MRB PROGRAM-MULTIFAMILY		
Output (Volume):		
# of Households Assisted through the Multifamily MRB Program	2,393	2,217
B. Goal: INFORMATION & TECHNICAL ASSISTANCE		
B.1.1. Strategy: HOUSING RESOURCE CENTER		
Output (Volume):		
# of Information and Technical Assistance Requests Completed	4,900	4,900
B.2.1. Strategy: COLONIA SERVICE CENTERS		
Output (Volume):		
# of On-site Technical Assistance Visits Conducted Annually from the Field Offices	800	800

C. Goal: POOR AND HOMELESS PROGRAMS		
Outcome (Results/Impact):		
% of Persons in Poverty That Received Homeless and Poverty-related Assistance	12.32%	12.32%
% of Very Low Income Households Receiving Energy Assistance	4.12%	4.12%
C.1.1. Strategy: POVERTY-RELATED FUNDS		
Output (Volume):		
# of Persons Assisted through Homeless and Poverty-related Funds	512,244	512,244
# of Persons Assisted That Achieve Incomes above Poverty Level	2,200	2,200
# of Shelters Assisted	73	73
C.2.1. Strategy: ENERGY ASSISTANCE PROGRAMS		
Output (Volume):		
# of Households Assisted through the Comprehensive Energy Assistance Program	51,502	51,502
# of Dwelling Units Weatherized by the Department	3,004	2,960
D. Goal: ENSURE COMPLIANCE		
D.1.1. Strategy: MONITOR HOUSING REQUIREMENTS		
Output (Volume):		
Total # of Onsite Reviews Conducted	915	965
D.1.2. Strategy: MONITOR CONTRACT REQUIREMENTS		
Output (Volume):		
Total # of Monitoring Reviews Conducted	12,715	12,765
E. Goal: MANUFACTURED HOUSING		
Outcome (Results/Impact):		
% of Consumer Complaint Inspections Conducted within 30 Days of Request	100%	100%
% of Complaints Resulting in Disciplinary Action	15%	15%
E.1.1. Strategy: TITLING AND LICENSING		
Output (Volume):		
# of Manufactured Housing Statements of Ownership and Location Issued	90,000	90,000
# of Licenses Issued	4,000	4,000
E.1.2. Strategy: INSPECTIONS		
Output (Volume):		
# of Routine Installation Inspections Conducted	6,000	6,000
Explanatory:		
# of Installation Reports Received	20,000	20,000
E.1.3. Strategy: ENFORCEMENT		
Output (Volume):		
# of Complaints Resolved	1,250	1,250
Efficiencies:		
Average Time for Complaint Resolution (Days)	180	180
Explanatory:		
# of Jurisdictional Complaints Received	1,200	1,200

“Rider 2: Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to Government Code § 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software versus the purchase of information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

Item	***2008***	***2009***
Acquisition of Information Resource Technologies		
(1) Manufactured Housing Systems Upgrade	$175,000	$175,000
(2) Purchase of Information Technologies-Scheduled Replacement of Items	$200,000	$190,000
Total, Acquisition of Information Resource Technologies	$375,000	$365,000
Total, Capital Budget	$375,000	$365,000

Method of Financing (Capital Budget):

Community Affairs Federal Fund No. 127	$55,998	$71,382
Appropriated Receipts	$319,002	$293,618
Total, Method of Financing	$375,000	$365,000

“Rider 3: Low/Moderate Income Housing Construction. Out of the funds appropriated above, no less than $500,000 each year of the biennium shall be expended on low/moderate income housing construction in enterprise zone areas.

“Rider 4: Appropriations Limited to Revenue Collections. Fees, fines, and other miscellaneous revenues as authorized and generated by the agency shall cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal E, Manufactured Housing, the cost of the appropriations required for manufactured housing consumer claims payments according to the Occupations Code § 1201, Manufactured Housing Standards Act, as well as the "other direct and indirect costs" associated with this goal, appropriated elsewhere in this Act. "Other direct and indirect costs" for Goal E, Manufactured Housing, are estimated to be $911,408 for fiscal year 2008 and $956,749 for fiscal year 2009. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

“Rider 5: Housing Assistance. To the extent allowed by state and federal program guidelines the department shall adopt an annual goal to apply no less than $30,000,000 of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program's total housing funds toward housing assistance for individuals and families earning less than 30 percent of the Area Median Family Income (AMFI). No less than 20 percent of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program shall be spent for individuals and families earning between 31 percent and 60 percent of the area median family income. To the extent allowed by state and federal program guidelines in those counties where the area median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide an annual report to the Legislative Budget Board documenting its expenditures in each income category.

“Rider 6: Conversions of Executory Contracts.
a. Out of the funds appropriated above, the department shall spend not less than $4,000,000 for the biennium for the sole purpose of contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income. It is the intent of the Legislature that the department shall make a good-faith effort to complete at least 200 contract for deed conversions by August 31, 2009.

b. The Department of Housing and Community Affairs shall provide a quarterly report to the Legislative Budget Board detailing the number of, and cost for each, contract for deed conversions completed.

“Rider 7: Bond Refinancing. The department shall transfer any funds acquired through refinancing of bonds to the Housing Trust Fund. The first $3,000,000 each fiscal year in savings from the refinancing of any bonds shall be used to fund mortgage loans under the Bootstrap Self-Help Housing Loan Program.

“Rider 8: Colonia Set-Aside Program Allocation. The Office of Rural Community Affairs shall allocate 2.5 percent of the yearly allocation of Community Development Block Grant (CDBG) monies to support the operation of the Colonia Self-Help Centers and shall transfer such funds to the Department of Housing and Community Affairs on September 1 each year of the biennium.

Consistent with federal rules and regulations, the funds provided from ORCA to the Colonia Self-Help Center in El Paso county shall be used to provide internet access and training for parents and their children attending elementary schools in colonias, to establish technology centers within those elementary school libraries, to purchase wireless devices and laptop computers to roan out from the technology centers, and improve internet access for students and parents.

"Rider 9: Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund are included above in Strategy A.1.3, Housing Trust Fund - Single Family, estimated to be $900,000 each year.

"Rider 10: Housing Trust Fund Deposits to the Texas Treasury Safekeeping Trust Company.

a. Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund - Single Family, $2,503,295 in fiscal year 2008 and $2,503,296 in fiscal year 2009 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, at the beginning of each fiscal year. The amounts to be transferred in fiscal years 2008 and 2009 include an estimated $900,000 in each fiscal year from interest earnings and loan repayments received, identified above in Rider 9, Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments.

b. Out of funds appropriated above in Strategy A.1.7, Housing Trust Fund - Multifamily, $187,000 in fiscal year 2008 and $187,000 in fiscal year 2009 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, at the beginning of each fiscal year.

c. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, for the same purpose.

d. The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year.

e. Notwithstanding limitations on appropriation transfers contained in the General Provisions of this Act, the Department of Housing and Community Affairs is hereby authorized to direct agency resources and transfer such amounts appropriated above, not to exceed $2,500,000 in General Revenue each fiscal year, between Strategy A.1.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily.

f. Out of funds appropriated above in Strategy A.l.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily, an amount not to exceed $2,500,000 in both strategies in fiscal year 2008 and an amount not to exceed $2,500,000 in fiscal year 2009 in both strategies above amounts required in Sections (a) and (b) of this rider, shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, no later than October 1 of each fiscal year.

"Rider 11: Mortgage Revenue Bond Program. The Department of Housing and Community Affairs shall operate the First-Time Homebuyer Mortgage Revenue Bond Program in a manner that maximizes the creation of very low-income single family housing by ensuring that at least 30 percent of the lendable bond proceeds are set aside for a period of one year for individuals and families at 60 percent and below the area median family income (AMFI), while assuring the highest reasonable bond rating. In an effort to facilitate the origination of single family mortgage loans to individuals and families at 60 percent and below the AMFI, the department shall utilize down payment and closing cost assistance or other assistance methods.

"Rider 12: Additional Appropriated Receipts.
a. Except during an emergency as defined by the Governor, no appropriation of appropriated receipts in addition to the estimated amounts above may be expended by the Department of Housing and Community Affairs unless:

(1) the department's governing board files a finding of fact along with a written plan outlining the source, use, and projected impact of tile funds on performance measures with the Legislative Budget Board and the Governor and indicating that additional appropriations are required to maintain adequate levels of program performance; and,

(2) neither the Legislative Budget Board nor the Governor issue a written disapproval not later than 10 business days within receipt of the finding of fact and the written plan.

b. This provision does not apply to appropriated receipts included in the amounts appropriated above that are collected under Object Codes 3719 and 3802. Appropriated receipts collected under these revenue object codes are governed under provisions found in Article IX, Sec 8.03 and Article IX Sec 12.02.

"Rider 13: Manufactured Homeowner Consumer Claims. Included above in Goal E, Manufactured Housing, the Manufactured Housing Division of the Department of Housing and Community Affairs is appropriated an amount required for the purpose of paying manufactured housing consumer claims from Appropriated Receipts according to the Occupations Code Chapter 1201, Manufactured Housing Standards Act, from Statement of Ownership and Location (SOL) issuance fees involving manufactured housing that are collected during the 2008-09 biennium. No General Revenue is appropriated for the payment of these claims.

"Rider 14: CDBG Disaster Reporting Requirement. The Department of Housing and Community Affairs shall provide a quarterly report to the Governor, the Legislative Budget Board, the House Appropriations Committee, the Senate Finance Committee and to those members of the Legislature representing counties eligible for Community Development Block Grant (CDBG) Disaster funding, detailing the receipt and expenditures of CDBG disaster funds received by the Department.

"Rider 15: Affordable Housing Research and Information Program. Out of funds appropriated above in Strategy B.l.l, Housing Resource Center, the Department of Housing and Community Affairs shall conduct the Affordable Housing Research and Information Program with the assistance of the Office of Rural Community Affairs, to the extent allowed by state law, in order to avoid a duplication of effort. It is the intent of the Legislature that no funds shall be transferred between the Department of Housing and Community Affairs and the Office of Rural Community Affairs for this purpose."

E. Degree to which Current Budget Meets Current and Expected Needs

In FY 2007, TDHCA was able to assist 0.89 percent of the State's 2,298,318 VLI, LI, and moderate households in need. It served about 13.6 percent of the State's 4,172,890 persons whose income is less than 125 percent of the poverty level. As discussed in detail in "IV. Service Population Demographics", the state's level of housing need is only expected to increase in the future given current funding levels and economic conditions.

F. Capital and/or Leased Needs Due for Renewal

The 2009 projection is $13,944 for an OCI field office in Edinburg, and $23,720 for Manufactured Housing field office leases in Houston, Lubbock and Tyler. The Manufactured Housing Division also leases postage meters for their field offices for $4,512 annually.

The Department's personal computers and laptops are composed of some hardware which will be replaced in future fiscal years in accordance with the Department's personal computer replacement schedule. The schedule calls for four years of use prior to replacement in most cases.

Projected capital improvement needs for the FY 2010-2011 biennium will be described on a project-by-project basis in the TDHCA Information Technology Detail, which will be submitted along with TDHCA's FY 2010-2011 Legislative Appropriations Request in August 2008.

IV. SERVICE POPULATION DEMOGRAPHICS

Overview

This section identifies how population groups TDHCA serves are expected to change within the timeframe of this Strategic Plan. The analysis includes information on historical population characteristics, current characteristics, and future trends.

Information in this section is primarily obtained from the US Census and Texas State Data Center (TSDC) reports and tabulations. The TSDC prepares population projections according to four scenarios: the zero migration scenario, which assumes that growth occurs through natural (birth and death) increases; the one-half 1990-2000 (0.5) migration scenario, which assumes rates of migration equal one-half of the 1990s rate; the 1990-2000 (1.0) migration scenario, which assumes a migration rate equal to the 1990s; and the 2000-2002 migration scenario, which takes into account post-2000 growth.[13] Comparing projections, the TSDC 0.5 migration scenario most closely resembles the projections prepared by the US Census, so TDHCA is using data from this TSDC scenario in the Strategic Plan. This is also the scenario most recommended by the TSDC for use in long-term planning.

Because of methodology differences between these sources, exact figures may vary between sources. For example, Texas population projections for 2010 are 24,330,612 from the TSDC 0.5 migration scenario, 24,648,888 from the US Census. However, the two figures differ by only 318,276, or approximately 1% of the highest projected total population.

Additionally, this section contains a significant amount of information from the Center for Demographic and Socioeconomic Research and Education (Center), which is the lead entity for the TSDC and Office of the State Demographer. The Center's *Texas Challenge in the Twenty-First Century* publication has projection data for a variety of subjects and scenarios, and is a comprehensive source for many factors affecting the state.

Overall Population Growth

Historically, Texas has been one of the fastest growing states in the nation. According to US Census data, the 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.

For 2000, the US Census reported that 20,851,820 individuals lived in Texas, second only to California in terms of total state population. According to July 2004 estimates compiled by the US Census, Texas's population had grown by 7.9 percent since April 2000 to 22,490,022 people, again exceeding the national growth rate of 4.3 percent for the same period.

For the 2009-2013 Strategic Plan period, both sources estimate that the Texas population will increase by at least 1.37 percent each year. The US Census projects a 6.28 percent growth rate from 2009 to 2013, while the TSDC 0.5 migration scenario projects a 6.05 percent growth rate.

[13] Texas State Data Center, Populations Estimates and Projections Program, "2006 Methodology for Texas Population Projections," (October 2006) http://txsdc.utsa.edu/tpepp/2004projections/2004_txpopprj_method.php.

Table 15: Texas Population Projections: 10-Year Period 2008-2018

Year	US Census Projection	Annual Change Number	Annual Change Percent	TSDC 0.5 Projection	Annual Change Number	Annual Change Percent
2008	23,898,665			23,614,468		
2009	24,273,816	375,151	1.57%	23,971,476	357,008	1.51%
2010	24,648,888	375,072	1.55%	24,330,612	359,136	1.50%
2011	25,026,846	377,958	1.53%	24,692,184	361,572	1.49%
2012	25,409,783	382,937	1.53%	25,056,035	363,851	1.47%
2013	25,797,428	387,645	1.53%	25,421,611	365,576	1.46%
2014	26,189,495	392,067	1.52%	25,788,872	367,261	1.44%
2015	26,585,801	396,306	1.51%	26,156,715	367,843	1.43%
2016	26,986,249	400,448	1.51%	26,525,347	368,632	1.41%
2017	27,391,070	404,821	1.50%	26,894,510	369,163	1.39%
2018	27,800,543	409,473	1.49%	27,264,177	369,667	1.37%
2009-2013		1,523,612	6.28%		1,450,135	6.05%

Sources: US Census, TSDC

Future population trends point to continued rapid growth. The US Census projects that the population in Texas will reach 33,317,744 in 2030, which represents a 59.8 percent change from 2000 figures, and more than double the projected national growth rate of 29.2 percent.[14]

These population projections have a major effect on the need for housing. According to the 2000 US Census, Texas had a 90.6 percent housing occupancy rate. Without the construction of new units and/or the rehabilitation of existing substandard and future substandard units, the need for decent and affordable housing will be significant.

In terms of disability status, the 2000 US Census found 3.6 million people with some type of long lasting condition of disability in Texas, representing 19.2 percent of the total non-institutionalized population aged 5 and older. The Center projects that the total number of incidences involving disabilities will increase by 202.2 percent from 2000 to 2040.[15]

Aging Population

According to the 2000 US Census, 2,072,532 persons, or 9.9 percent of the total Texas population, are age 65 or older. The Census projected that, for 2005, individuals age 65 and older totaled 2,268,604 and comprised 10.0 percent of the total Texas population.

[14] US Census, "Interim Projections: Ranking of Census 2000 and Projected 2030 State Population and Change 2000 to 2030," http://www.census.gov/population/projections/PressTab1.xls.
[15] 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), 139, http://txsdc.utsa.edu/download/pdf/TxChall2002.pdf.

There is an identified aging trend in Texas. In 1980, the median age was 28.0; in 1990, the median age was 30.8; and in 2000, the median age was 32.2.[16] Furthermore, it is assumed that this trend will continue, with nearly one-in-five individuals (nearly 20 percent) with an age of 65 or older by the middle of this century.

Population projections point to an increased aging population in Texas. Comparing age groups, individuals 65 and older are projected to be the population with the highest growth. An increasingly older population leads to growth in owner-occupied housing because older households tend to have higher rates of homeownership.[17] Furthermore, with an increasingly elderly population over age 65, home repair programs, including those that include home modifications for accessibility may grow in demand.

An American Association of Retired Persons study found that 90 percent of elderly persons expressed a desire to stay in their own homes as long as possible.[18] Of all elderly households, 80 percent own their own homes.[19] However, elderly homeowners generally live in older homes than the majority of the population; in 2005, the median year of construction for homes owned by elderly households was 1966.[20] Due to their age, homes owned by the elderly are often in need of repair, weatherization, and energy assistance.

For those persons who cannot or do not wish to remain in their own homes, TDHCA multifamily development activities help provide affordable rental units. In many cases, these units are part of apartment developments specifically designed and occupied by older households. These developments will have design features, amenities, and supportive services geared to their specific needs and preferences.

[16] Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 16.
[17] Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 144.
[18] Texas Department on Aging, Office of Aging Policy and Information, *The State of Our State on Aging* (Austin, TX: Texas Department on Aging, December 2002), 19, http://www.dads.state.tx.us/news_info/publications/studies/SOSHighRez.pdf .
[19] US Department of Health and Human Services, Administration on Aging, *A Profile of Older Americans: 2003* (US Department of Health and Human Services), 11, http://www.aoa.dhhs.gov/prof/Statistics/profile/2003/2003profile.pdf
[20] US Department of Health and Human Services, "A Profile on Older Americans", http://www.aoa.gov/prof/statistics/profile/profiles.asp (Accessed 5/30/08).

Table 16: Texas Population by Age Group: 10-Year Period 2008-2018

		Annual Change			Annual Change	
Year	0-17	Number	Percent	18-24	Number	Percent
2008	6,594,289			2,465,998		
2009	6,687,664	93,375	1.42%	2,487,428	21,430	0.87%
2010	6,785,408	97,744	1.46%	2,504,460	17,032	0.68%
2011	6,889,979	104,571	1.54%	2,517,981	13,521	0.54%
2012	7,003,380	113,401	1.65%	2,528,448	10,467	0.42%
2013	7,123,330	119,950	1.71%	2,535,205	6,757	0.27%
2014	7,246,675	123,345	1.73%	2,540,266	5,061	0.20%
2015	7,376,218	129,543	1.79%	2,535,506	-4,760	-0.19%
2016	7,508,513	132,295	1.79%	2,532,069	-3,437	-0.14%
2017	7,639,597	131,084	1.75%	2,535,322	3,253	0.13%
2018	7,762,744	123,147	1.61%	2,553,765	18,443	0.73%
2009-2013		435,666	6.51%		47,777	1.92%

		Annual Change			Annual Change	
Year	25-64	Number	Percent	65+	Number	Percent
2008	12,393,611			2,444,767		
2009	12,582,055	188,444	1.52%	2,516,669	71,902	2.94%
2010	12,771,637	189,582	1.51%	2,587,383	70,714	2.81%
2011	12,954,759	183,122	1.43%	2,664,127	76,744	2.97%
2012	13,102,550	147,791	1.14%	2,775,405	111,278	4.18%
2013	13,252,187	149,637	1.14%	2,886,706	111,301	4.01%
2014	13,406,107	153,920	1.16%	2,996,447	109,741	3.80%
2015	13,561,194	155,087	1.16%	3,112,883	116,436	3.89%
2016	13,717,895	156,701	1.16%	3,227,772	114,889	3.69%
2017	13,867,455	149,560	1.09%	3,348,696	120,924	3.75%
2018	14,006,204	138,749	1.00%	3,477,830	129,134	3.86%
2009-2013		670,132	5.33%		370,037	14.70%

Source: US Census

Race and Ethnicity

Texas is experiencing a shift toward racial and ethnic diversity. During the 1980s, the White population increased by 10.1 percent, but by only 7.6 percent during the 1990s; the Black population increased by 16.8 percent during the 1980s and 22.5 percent during the 1990s; the Hispanic population increased by 45.4 percent during the 1980s and 53.7 during the 1990s; and the Other racial/ethnic population increased by 88.8 percent during the 1980s and 81.2 percent during the 1990s.[21] The 2000 US Census found that the racial composition of the state was 52 percent White, 32 percent Hispanic, 12 percent Black, and 4 percent Other.

[21] Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, xxv.

Future projections point to a shift from a majority White population to a majority of other racial and ethnic groups. According to TSDC projections using the 0.5 migration scenario, Whites are expected to comprise 50 percent of the total Texas population in 2009, and 49.4 percent of the total population in 2011. The White population is expected to grow by only 0.5 percent from 2009 to 2013, while the Hispanic population is expected to grow by 6.7 percent during this period.

This racial shift is expected to have important implications on Texas households as a whole. Because of the rapid growth of Hispanic and Other populations, the expected result is a higher proportion of married-couple and married-couple-with-children households.[22] As for income, unless the wealth of non-White populations changes, the income distributions of households will shift towards lower income categories because of the rapid growth of Hispanic and Black populations, which tend to have lower incomes.[23] Furthermore, the growth of non-White populations, which tend to have higher rates of rentership, is projected to fuel the need for rental housing.[24]

[22]Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 60.
[23]Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 87.
[24]Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 144.

Table 17: Texas Population by Race and Ethnicity: 2008-2018

Year	Total Population	White	Percent	Hispanic	Percent	Black	Percent	Other	Percent
2008	22,444,524	11,296,578	50.33%	7,791,534	34.71%	2,589,334	11.54%	767,078	3.42%
2009	22,625,789	11,315,150	50.01%	7,926,700	35.03%	2,608,554	11.53%	775,385	3.43%
2010	22,802,947	11,331,872	49.69%	8,060,601	35.35%	2,627,276	11.52%	783,198	3.43%
2011	22,976,138	11,346,778	49.39%	8,193,230	35.66%	2,645,510	11.51%	790,620	3.44%
2012	23,145,223	11,359,813	49.08%	8,324,719	35.97%	2,663,109	11.51%	797,582	3.45%
2013	23,310,014	11,370,878	48.78%	8,454,974	36.27%	2,679,950	11.50%	804,212	3.45%
2014	23,470,288	11,379,849	48.49%	8,583,964	36.57%	2,696,021	11.49%	810,454	3.45%
2015	23,625,627	11,386,500	48.20%	8,711,641	36.87%	2,711,138	11.48%	816,348	3.46%
2016	23,776,005	11,390,625	47.91%	8,838,109	37.17%	2,725,286	11.46%	821,985	3.46%
2017	23,921,512	11,392,219	47.62%	8,963,594	37.47%	2,738,436	11.45%	827,263	3.46%
2018	24,062,378	11,391,199	47.34%	9,088,371	37.77%	2,750,527	11.43%	832,281	3.46%
Population Change by Number and Percent									
2009-2013		55,728	0.49%	528,274	6.66%	71,396	2.74%	28,827	3.72%

Source: TSDC

Income

According to the 2000 US Census, the median household income in 1999 was $39,927, which was less than the national median of $41,994. Historically, the median income in Texas has tended to grow. In 1999 dollars, the Census reports that, in 1969, the household median income in Texas was $29,535; in 1979, the median income was $35,744; and in 1989, the median income was $35,246.[25] The 2006 American Community Survey administered by the US Census reports that the median household income (in 2006 dollars) was $44,922.

The Center has computed projected incomes for 2000, 2010, 2020, 2030, and 2040. Projections based on the 0.5 migration scenario are provided for 2000, 2010, and 2020 below, and demonstrate an increasing proportion of the population with incomes below $40,000. The authors state that the median household income will actually decline by $5,061 between 2000 and 2040 (in 2000 constant dollars) based on the 0.5 migration scenario.[26] This decline is attributed to the rapid increase of Hispanic and Black populations and assumes that the socioeconomic gap between these groups and Whites will not change.

[25] US Census, "Table S1: Median Household Income by State: 1969,1979,1989, 1999, http://www.census.gov/hhes/www/income/histinc/state/state1.html

[26] Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 95.

Table 18: Household Income in Texas by Income Category: 2000, 2010, and 2020

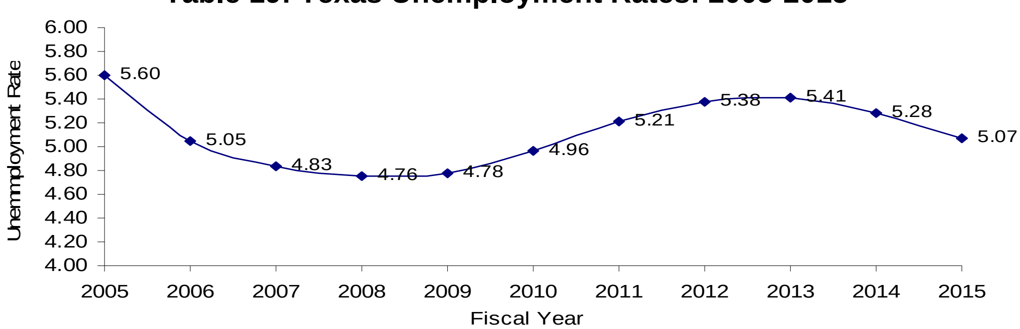
	2000		2010		2020	
Income Level	Households	Percent	Households	Percent	Households	Percent
$ < 10,000	766,818	10.37%	955,412	10.83%	1,218,416	11.70%
10,000 - 14,999	490,683	6.64%	609,119	6.91%	774,050	7.43%
15,000 - 19,999	486,167	6.58%	602,598	6.83%	753,896	7.24%
20,000 - 24,999	517,230	7.00%	635,750	7.21%	779,300	7.48%
25,000 - 29,999	502,547	6.80%	613,060	6.95%	741,510	7.12%
30,000 - 34,999	493,044	6.67%	595,664	6.75%	710,347	6.82%
35,000 - 39,999	445,211	6.02%	534,047	6.06%	631,032	6.06%
40,000 - 44,999	416,276	5.63%	496,321	5.63%	580,765	5.58%
45,000 - 49,999	357,312	4.83%	424,119	4.81%	493,081	4.73%
50,000 - 59,999	636,916	8.61%	748,513	8.49%	858,280	8.24%
60,000 - 74,999	722,043	9.77%	837,711	9.50%	942,578	9.05%
75,000 - 99,999	705,480	9.54%	805,588	9.13%	888,233	8.53%
100,000 - 124,999	362,413	4.90%	412,025	4.67%	450,347	4.32%
125,000 - 149,999	173,454	2.35%	194,563	2.21%	210,353	2.02%
150,000 - 199,999	153,444	2.08%	171,121	1.94%	184,276	1.77%
200,000+	164,316	2.22%	183,108	2.08%	198,719	1.91%
Total	7,393,354	100.00%	8,818,719	100.00%	10,415,183	100.00%

Source: Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 106-107

If this projection towards lower incomes does indeed occur, then the need for housing and other assistance will be great. A higher proportion of households at the lowest levels will place an even higher demand on social services, energy assistance, and rental assistance programs. In terms of homeownership, the Office of the Comptroller predicts that the prime interest rate will generally increase from 5.7 percent in 2005 to 8 percent in 2010.[27] Lower incomes and the higher cost of borrowing money may push the dream of homeownership out of reach for many more households in the future.

A major factor influencing income is the unemployment rate. According to the Comptroller's Spring 2006 Fiscal Year Economic Forecast, the unemployment rate is projected to increase during the 2009-2013 planning period. Unemployment affects the demand for services, including rental assistance, energy assistance, and emergency financial assistance.

Table 19: Texas Unemployment Rates: 2005-2015



Source: Texas Office of the Comptroller

[27]Texas Office of the Comptroller, "Spring 2006 Fiscal Year Economic Forecast," http://www.window.state.tx.us/ecodata/fcst06spr/ (accessed May 17, 2006).

Poverty

The 2000 US Census reported that 15.4 percent of persons in Texas were below the poverty level, which was significantly higher than the national rate of 12.4 percent. According to the 2006 American Community Survey, the poverty rate for Texas is 16.9 percent compared to the national rate of 13.3 percent. Analyzing past Census data, Texas has historically had a poverty rate higher than that of the national average.

Based on Center for Demographic and Socioeconomic Research and Education projections for 2000, 2010, 2020, 2030, and 2040, the rate of families in poverty will increase. Projections based on the 0.5 migration scenario are provided for 2000, 2010, and 2020 below.

Table 20: Texas Families in Poverty: 2000, 2010, and 2020

	2000		2010		2020	
Family Type	Number	Percent	Number	Percent	Number	Percent
Family households	598,325	11.4%	783,058	12.3%	983,798	13.1%
Married couples	300,238	7.5%	401,877	8.4%	516,708	9.2%
With own children	207,093	10.3%	283,781	11.5%	364,502	12.7%
No own children	93,145	4.7%	118,096	5.1%	152,206	5.5%
Other families	298,087	23.7%	381,181	24.5%	467,090	24.9%
Male householders, no spouse	47,931	15.0%	63,005	15.6%	79,359	16.0%
With own children	31,134	19.8%	40,696	20.8%	50,174	21.9%
No own children	16,797	10.3%	22,309	10.6%	29,185	10.9%
Female householders, no spouse	250,156	26.7%	318,176	27.7%	387,731	28.1%
With own children	201,475	35.7%	256,149	37.0%	306,053	38.3%
No own children	48,681	13.0%	62,027	13.6%	81,678	14.0%

Source: Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 117

Increasing poverty populations will increase the demand for social services and emergency assistance, including rental assistance, energy assistance, and health and human services. In fact, the Center for Demographic and Socioeconomic Research and Education projects that the enrollment for Temporary Assistance for Needy Families, Food Stamps, and Medicaid will greatly increase between 2000 and 2040.[28]

Population Distribution

The US Office of Management and Budget classifies areas as metropolitan statistical areas (MSAs) based on US Census data. These MSAs are comprised of core counties that have a high population density and surrounding counties that have economic integration with the core counties. Non-MSA counties are primarily rural. There are 25 designated MSAs in Texas that cover 77 of the 254 total counties.

In 2000, of the 20,851,820 people residing in the state, 86.1 percent residing in MSAs and 13.9 percent resided in non-MSAs. For year 2008, the TSDC, using its 0.5 migration scenario, projected that 86.8 percent of the population was living in MSAs compared to 13.2 percent

[28]Center for Demographic and Socioeconomic Research and Education, *Texas Challenge in the Twenty-First Century*, 329.

residing in non-MSAs. This trend of MSA growth is projected to occur in the long term. In 2015, it is projected that 87.3 percent of the population will reside in the current MSA counties, and only 12.7 percent of the population will reside in non-MSA counties. For the 2007-2011 planning period, the population in MSA areas is expected to increase by 1,316,209 or 6.5 percent, whereas the population in non-MSA areas is expected to increase by only 116,043, or 3.75 percent.

Figure 3: Texas MSA Counties

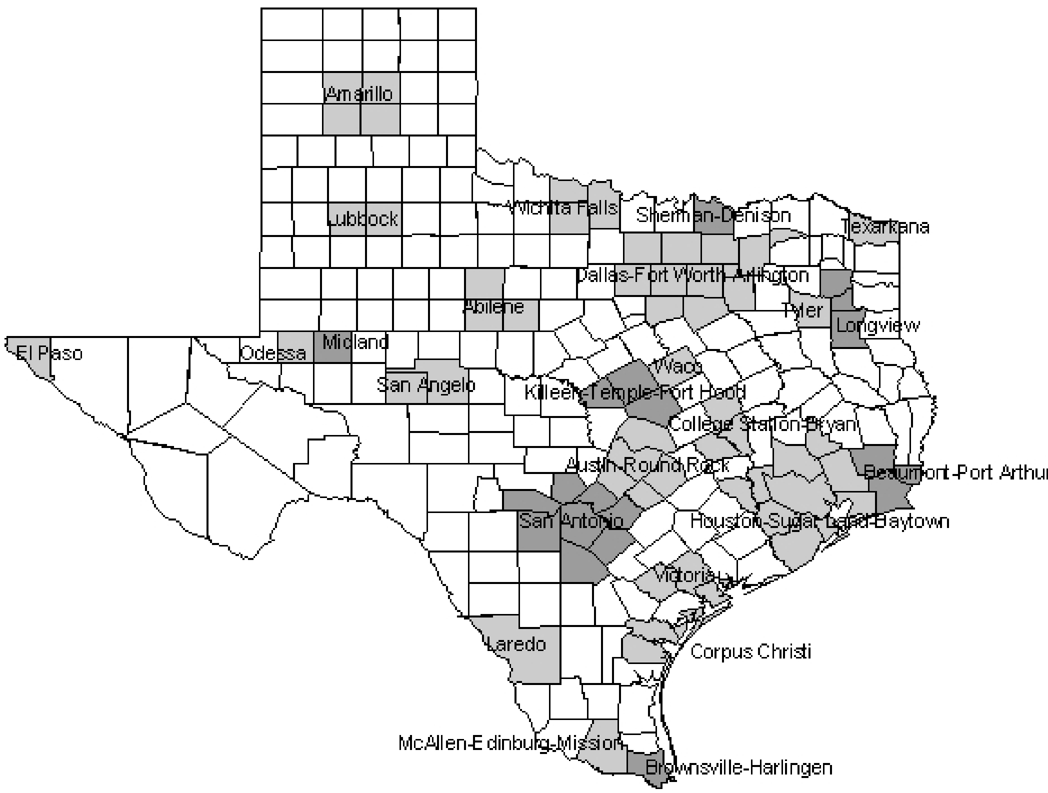


Table 21: Texas MSA and Non-MSA Population Projections: 2005-2009

MSA	2000	2005	2006	2007	2008	2009
Abilene	160,245	165,602	166,787	167,913	169,033	170,099
Amarillo	226,522	240,416	243,253	246,094	248,951	251,792
Austin-Round Rock	1,249,763	1,407,732	1,439,102	1,470,416	1,501,978	1,533,677
Beaumont-Port Arthur	385,090	395,275	397,272	399,245	401,324	403,471
Brownsville-Harlingen	335,227	374,529	382,615	390,794	399,097	407,212
College Station-Bryan	184,885	195,836	198,042	200,371	202,716	205,125
Corpus Christi	403,280	430,784	436,573	442,154	447,889	453,777
Dallas-Fort Worth-Arlington	5,161,544	5,668,679	5,772,996	5,878,313	5,983,434	6,089,460
El Paso	679,622	740,525	752,896	765,712	778,317	791,208
Houston-Sugar Land-Baytown	4,715,407	5,121,573	5,206,679	5,291,382	5,376,766	5,462,566
Killeen-Temple-Fort Hood	330,714	361,316	367,488	373,592	379,608	385,568
Laredo	193,117	226,847	233,782	240,821	248,087	255,354
Longview	194,042	200,411	201,871	203,310	204,776	206,211
Lubbock	249,700	263,147	265,155	267,125	269,231	271,247
McAllen-Edinburg-Mission	569,463	656,899	675,038	693,506	712,102	730,790
Midland	116,009	119,829	120,746	121,716	122,656	123,678
Odessa	121,123	126,658	127,911	129,141	130,402	131,657
San Angelo	105,781	109,731	110,560	111,381	112,190	112,984
San Antonio	1,711,703	1,830,229	1,853,729	1,877,150	1,900,717	1,924,663
Sherman-Denison	110,595	114,162	114,964	115,763	116,515	117,317
Texarkana	89,306	90,159	90,377	90,550	90,722	90,878
Tyler	174,706	181,254	182,700	184,107	185,602	187,152
Victoria	111,663	117,772	119,029	120,307	121,504	122,771
Waco	213,517	221,410	223,435	225,428	227,498	229,583
Wichita Falls	151,524	155,789	156,592	157,415	158,262	159,050

	2000	2005	2006	2007	2008	2009
Total MSA	17,944,548	19,516,564	19,839,592	20,163,706	20,489,377	20,817,290
Percent	86.06%	86.52%	86.61%	86.69%	86.77%	86.84%
Total Non-MSA	2,907,272	3,039,463	3,067,635	3,096,203	3,125,131	3,154,172
Percent	13.94%	13.48%	13.39%	13.31%	13.23%	13.16%
State of Texas	20,851,820	22,556,027	22,907,227	23,259,909	23,614,508	23,971,462

Source: TSDC

In addition to a greater share of the population, these metropolitan areas also generally have a greater share of industry and jobs, which leaves less-populous areas with dilapidated housing stock and households with lower incomes. According to the US Department of Housing and Urban Development, the FY 2005 median income for Texas Metropolitan areas was $55,500 compared to $42,400 for non-metropolitan areas.[29] The 2000 Census estimated this gap to be $47,961 for metro areas and $36,724 for non-metro areas.

[29]HUD, FY 2005 HUD Income Limits Briefing Materials, 26, http://www.huduser.org/datasets/il/il05/briefing-materials.pdf (accessed May 17, 2006).

Table 22: Texas MSA and Non-MSA Population Projections: 2010-2015

MSA	2010	2011	2012	2013	2014	2015
Abilene	171,132	172,130	173,089	173,993	174,821	175,621
Amarillo	254,636	257,455	260,282	263,093	265,864	268,653
Austin-Round Rock	1,565,466	1,597,777	1,630,412	1,663,329	1,696,447	1,729,970
Beaumont-Port Arthur	405,539	407,506	409,561	411,552	413,563	415,460
Brownsville-Harlingen	415,569	424,050	432,313	440,864	449,208	457,563
College Station-Bryan	207,519	209,895	212,211	214,517	216,811	219,130
Corpus Christi	459,482	465,287	471,112	476,754	482,551	488,183
Dallas-Fort Worth-Arlington	6,197,537	6,305,654	6,415,441	6,526,542	6,638,796	6,751,742
El Paso	803,967	816,863	829,469	842,162	854,897	867,435
Houston-Sugar Land-Baytown	5,548,714	5,636,463	5,724,714	5,813,112	5,903,156	5,993,067
Killeen-Temple-Fort Hood	391,552	397,441	403,346	409,176	414,919	420,718
Laredo	262,823	270,282	277,865	285,619	293,501	301,411
Longview	207,689	209,193	210,691	212,192	213,640	215,133
Lubbock	273,268	275,184	277,016	278,753	280,410	281,971
McAllen-Edinburg-Mission	749,868	769,405	789,145	808,871	829,083	849,980
Midland	124,658	125,669	126,666	127,660	128,625	129,574
Odessa	132,875	134,121	135,336	136,534	137,721	138,820
San Angelo	113,763	114,471	115,147	115,805	116,405	116,960
San Antonio	1,947,929	1,971,212	1,994,779	2,018,550	2,041,207	2,064,284
Sherman-Denison	118,083	118,860	119,657	120,430	121,163	121,919
Texarkana	91,017	91,181	91,281	91,385	91,468	91,549
Tyler	188,622	190,175	191,724	193,232	194,804	196,328
Victoria	124,036	125,306	126,590	127,966	129,218	130,496
Waco	231,711	233,794	235,878	237,924	239,910	241,913
Wichita Falls	159,822	160,541	161,322	162,027	162,765	163,411

	2010	2011	2012	2013	2014	2015
Total MSA	21,147,277	21,479,915	21,815,047	22,152,042	22,490,953	22,831,291
Percent	86.92%	86.99%	87.07%	87.14%	87.21%	87.29%
Total Non-MSA	3,183,366	3,212,246	3,240,966	3,269,593	3,297,917	3,325,470
Percent	13.08%	13.01%	12.93%	12.86%	12.79%	12.71%
State of Texas	24,330,643	24,692,161	25,056,013	25,421,635	25,788,870	26,156,761

Source: TSDC

V. Technological Developments

A. Impact of Technology on Current Operations

The business of the Department continues to be enhanced by technology. Today, almost all agency services have a Web component. By using the TDHCA Interactive link on the agency Web site, households in need can directly access systems that support housing, community services, energy assistance, and manufactured housing information and services.

The Department's custom-designed applications are created using a combination of Oracle PL/SQL and Java. Both development languages are Web-enabled; the latter is platform independent and license free. The database platform that backs new development work is

Oracle. Agency operations are greatly impacted by new development work, which involves redesigning, integrating, and converting legacy applications to a Web-based environment.

TDHCA's financial management systems are PeopleSoft Financials and the Mitas Automated Accounting and Loan Servicing systems. In cooperation with the Office of the Comptroller of Public Accounts, the Department upgraded to the current Integrated Statewide Accounting System version of PeopleSoft Financials in FY 2007. The Mitas Loan Servicing system was implemented on September 1, 2003, and replaced and integrated the functions of four systems on separate platforms.

The Department supports both its internal and external technology-based services through a combination of Sun Solaris, Linux, FreeBSD, and Windows servers and gigabit-per-second enabled Cisco networking equipment. TDHCA's computing environment includes multiple Web, application, email, file, and database servers that work together to form the Department's Internet presence and to meet internal computing and network needs. Workgroup collaboration is facilitated by file sharing; intranet pages and postings; shared databases; and MS Exchange features such as email, Outlook WebAccess, calendars, and scheduling.

B. Impact of Anticipated Technological Advances

In the FY 2009-2013 time period, TDHCA's Information Systems Division will continue to focus on the Department's mission, goals, and objectives. All current and future projects involving technology will support the business of the agency, and the Department will continue to make use of technology described in this and past Strategic Plans.

C. Degree of Agency Automation and Telecommunications

The Department's Internet and intranet Web servers continue to serve as front-ends used to disseminate information to the public and employees and as places to update and maintain the Department's data in a dynamic fashion. A number of applications have been converted from legacy systems into a Web format, making these applications accessible using a Web browser. They can be accessed from the network or remotely using any Internet connection.

TDHCA's financial management system closely follows Office of the Comptroller of Public Accounts procedures to simplify interfaces and data exchange between the two agencies. Additionally, financial information is shared with other agency applications through interfaces and real-time database links.

Using desktop management software, TDHCA's Information Systems Division (ISD) can automatically deploy software applications, quickly rebuild PCs and laptops, and electronically obtain hardware and software inventory from individual workstations. These products allow staff to control personal computer configurations more effectively and provide faster support to Department employees.

Any agency employee can electronically submit a help desk request for a hardware or software problem. These requests are assigned according to the nature of the problem to be handled by appropriate ISD staff. Project and software enhancement requests go through a formal change control process that requires originating division director and then steering committee approval.

As technology and TDHCA systems evolve, ISD continuously aims to improve ease of data access, provide secure data exchanges, and increase the cost effectiveness of information technology solutions. In these efforts, ISD management works with senior management and the steering committee to ensure alignment with business objectives and proper IT governance.

D. Anticipated Need for Automation

The Department renews its software and hardware maintenance contracts and disaster recovery services on a yearly basis. The planned FY 2009 contracts for server hardware and software installed on servers are listed in the Department's Planned Procurement Schedule.

The Department leases one T-1 circuit for Internet services and ten fractional T-1 circuits for TDHCA's regional offices through the Department of Information Resources.

Budgeted costs for planned IT acquisitions, contracts, and service renewals will be detailed in the TDHCA Information Technology Detail and Legislative Appropriations Request. Actual costs are maintained in the Department's financial management system.

E. Technology Initiative Alignment

"Technology Initiative Alignment" is the strategic alignment of technology initiatives with agency business needs and priorities. This alignment promotes collaboration between the agency's business and IT leaders, and promotes innovative technology solutions that enable the agency to achieve its objectives. The agency's governance structure guides the creation of technology initiatives to ensure that these initiatives align with the agency's business needs and priorities. Additionally, strategically aligning agency technology initiatives with the statewide technology objectives in the State Strategic Plan (The Texas Transformation) drives economies of scale, increases interoperability among the state's information systems, and promotes interagency collaboration.

TDHCA TECHNOLOGY INITIATIVE ALIGNMENT

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RE-LATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCH-MARKING
Improve security policies and practices.	All goals/objectives.	3-1	Planned	Decreases the risk of unintended access to agency information.	Benchmarking: TDHCA will use online DIR IT

TDHCA TECHNOLOGY INITIATIVE ALIGNMENT					
TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RE-LATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCH-MARKING
					Security and National Institute of Standards and Technology resources.
Maintain, upgrade, secure, and enhance TDHCA's programmatic and financial systems for managing loans and grants.	Goal/Objective 1-1. Increase Availability of Safe/Decent/Affordable Housing – Make Loans/Grants/Incentives to Fund/Develop/Preserve Housing	3-1 4-2 5-1	Current	Ensures that agency systems for managing loans and grants are in alignment with changing business processes, financial transactions are securely exchanged with the Comptroller's Office and other organizations, and program participants have the ability to report to TDHCA online.	
Redesign TDHCA Web site to provide customers easier access to information.	Goal/Objective 2-1. Provide Information and Assistance – Provide Information and Assistance for Housing and Community Services	4-1 5-1	Current	Provides visitors easier access to information by asking them to select a customer type.	Benchmarking: TDHCA conducted a review of Web sites of other housing finance agencies, Texas state agencies, and businesses.
Host and maintain the Texas Interagency Council for the Homeless Web site.	Goal/Objective 3-1. Improve Poor/Homeless Living Conditions & Reduce VLI Energy Costs – Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year	4-4	Current	Assists the council in fulfilling major functions, including helping coordinate the delivery of services for the homeless in Texas and maintaining a central resource and information center for the homeless.	
Maintain, upgrade, secure, and enhance TDHCA's monitoring systems.	Goal/Objective 4-1. Ensure Compliance with Program Mandates – Monitor Developments & Subrecipient Contracts for Compliance	3-1 5-1	Current	Reduces paper processing through online reporting by property managers; increases efficiency through an enterprise architecture in which common data elements are shared with other agency systems.	
Deploy a new Manufactured Housing System that supports all major MH business functions and provides customers with the ability to retrieve MH information and submit forms and associated payments online.	Goal/Objective 5-1. Regulate Manufactured Housing Industry – Operate a Regulatory System To Ensure Responsive SOL/Licensing/Other	1-3 4-1 5-1	Current	Provides MH customers with increased access and flexibility; reduces data entry required by MH staff.	Best Practice: Use of Texas Online for all online payments.

VI. Economic Variables

This section identifies key economic variables affecting the Department's activities. This discussion includes: a brief description of each variable, the extent to which each variable affects service populations; potential changes to each variable; and possible responses to address these changes.

Foreclosures

The recent nationwide increase in home foreclosures is seen as an unintended side effect of extending homeownership opportunities to higher risk households with limited incomes and wealth.[30] According to RealtyTrac, a real estate statistics firm, the number of homes in some stage of foreclosure increased 112% in the first quarter of 2008 compared to the same quarter in 2007.[31] The same report indicated that Texas had the 17th highest rate of foreclosure filings in the nation for this quarter. Texas experienced a 28.8% increase in foreclosure filings this quarter over the same quarter in 2007. Nearly all of the state's largest metropolitan areas, including Dallas, Fort Worth/Arlington, Houston/Baytown/Sugar Land, Austin/Round Rock, San Antonio, and McAllen/Edinburg, shouldered significant increases in the rate of filings during this period.

The current housing predicament could have a variety of implications. A glut of owners losing their homes adds to the number of households competing for low-cost rentals. At the same time, increasing foreclosures threaten renters living in foreclosed properties with sudden eviction, according to a report from Harvard University's Joint Center for Housing Studies.

In response to this homeownership crisis, TDHCA has joined with NeighborWorks America, as well as representatives from local governments, the financial industry, and the non-profit sector to form the Texas Foreclosure Prevention Task Force. The primary activity of the Task Force is to raise awareness about the nationally endorsed bilingual Homeowner's HOPE Hotline (1-888-995-HOPE) available to homeowners struggling with their mortgage payments. Additionally, the Task Force supports the outreach efforts of local foreclosure prevention initiatives and monitors mortgage default patterns and trends in Texas through ongoing research to support timely intervention.

The households assisted through TDHCA's low-interest mortgages and down payment programs are verified for credit worthiness and to ensure that the household can comfortably afford the mortgage. Furthermore, all TDHCA mortgages are stable 30-year, fixed rate mortgages, which help households to avoid the pitfalls of adjustable rate loans.

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[30] "America's Rental Housing: The Key to a Balanced National Policy," Harvard University Joint Center for Housing Studies. April 30, 2008.
[31] "U.S. Foreclosure Activity Increases 23 Percent in First Quarter," RealtyTrac. April 29, 2008. www.realtytrac.com/ContentManagement/PressRelease.aspx

Tightened Lending Standards

In the wake of the nationwide subprime mortgage and home foreclosure crisis, banks and other lending institutions have tightened their lending standards and terms. In a survey conducted by the Federal Reserve in January 2008, more than half of banks said they had toughened lending requirements even on loans to borrowers with strong credit.[32] This trend limits the availability of home loans to borrowers, particularly those with weaker credit histories. Additionally, a return to higher down payment requirements has reintroduced a hurdle that had been reduced for some homebuyers in recent years by low down payment loans.[33] A March 2008 assessment by the Associated Press, based on industry data and interviews with lenders, estimated that lending standards are now the strictest they have been "in 20 years."[34]

The Department's down payment assistance and low interest home mortgage loan programs help very low and low income Texans overcome obstacles to homeownership. Down payment assistance is available through the Department's Texas First Time Homebuyer Program to qualified applicants and the American Dream Downpayment Initiative, administered by the HOME Division. Additionally, the Department's Texas State Homebuyer Education Program certifies providers who offer classes to prospective buyers.

Energy Costs

Energy costs often constitute the largest single housing expense after food and shelter for lower income families. For low-income households, utility costs often consume 17 percent or more of annual gross incomes and account for nearly one-fourth of total housing costs. More than 60 percent of TDHCA Energy Assistance applicant households spend more than 30 percent of household incomes on home energy. Increasing energy costs increase the demand for energy-related assistance. Between 2003 and 2007, the average benefit amount for home energy in Texas increased an average of 16 percent, from $359 in 2003 to $598 in 2007. That trend could increase the 2008 average household benefit amount to more than $700.

Texas residential electricity prices rose an estimated 31 percent after the 2005 hurricanes, Katrina and Rita, and another 36 percent in 2006. As a preferred fuel for generating electricity, the price of natural gas directly affects the price of electricity. Moderating natural gas prices in 2007 can be credited for a 9-10 percent decrease in residential electricity prices. Nevertheless, something else again happened in the first 4 months of 2008. Natural gas prices increased by approximately 65 percent -- to about $11 per 1,000 cubic feet (mcf) – between December 2007 and April 2008.

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[32] "The January 2008 Senior Loan Officer Opinion Survey on Bank Lending Practices," The Federal Reserve. http://www.federalreserve.gov/boarddocs/SnLoanSurvey/200801/default.htm

[33] "Lending Standards Tighten For Many," Texas Real Estate Center, March 2008. http://recenter.tamu.edu/mnews/newsSearch.asp?MODE=RECON&CID=2077

[34] "Lending Standards As Strict As 20 Years Ago," Associated Press, March 22, 2008. http://www.heraldextra.com/content/view/259795/18/

TDHCA Energy Assistance programs, funded by the U.S. Department of Health and Human Services' Low-Income Home Energy Assistance Program (LIHEAP), assist low and very low-income households make short-term home energy payments, weatherize homes, make other home energy efficiency improvements, and otherwise encourage home energy efficiency. LIHEAP and U.S. Department of Energy (DOE) grants enable TDHCA to assist about 5-6% of the income-eligible population – households with incomes at or below 125% of federal poverty guidelines (adjusted annually).

TDHCA will continue to effectively administer its Low-Income Home Energy Assistance Program and DOE Weatherization Assistance programs to help with the needs created by rising home energy costs.

Rental Submarket Characteristics

TDHCA's rental development activities are directly affected by submarket rent levels and vacancy rates as these issues affect the feasibility of all rental housing developments. Therefore, changes in the rental market directly impact what types of development are feasible and where affordable units can be built. To address local concerns over concentration issues, local governments may create standards and regulations within their consolidated planning documents that limit the amount of affordable housing that may be constructed within their community and provide the local governing entity the ability to increase the quantity of affordable housing above the level approved in the plan through the passing of a resolution.

A specific example of how the Department's activities are affected by market characteristics can be found in the allocation of mortgage revenue bond funds. The Department issues tax-exempt and taxable multifamily mortgage revenue bonds to fund loans to for-profit and qualifying nonprofit 501(c)(3) organizations to finance the costs of acquiring, constructing and equipping of affordable rental housing units. As with all of the Department's rental activities, properties financed through this program are subject to income and rent restrictions for lower income tenants and persons with special needs, tenant service programs, quality and amenity threshold criteria and other requirements as determined by the Department and its governing Board. While these developments are similar to those funded by Housing Tax Credits (HTC) (and are eligible to receive tax credits along with the bonds), the bond programs and the HTC program are administered and allocated differently.

- The Private Activity Bond Program is administered by the Texas Bond Review Board utilizing local and state qualified bond issuers, initially through a non-competitive lottery process. Due to the participation of other bond issuers, the Department has less control over where developments are located. Because the Department is the only HTC allocating agency for the state, developers must also apply to the Department for the HTC portion of the bond transaction. Therefore the Department attempts to assist local governing entities with submarket concentration issues as a result of the allocation of the HTC portion of the bond truncation through the use of various controls including, but not limited to, a one mile statutory limitation that restricts the new construction of affordable housing within one mile of another affordable housing development; another statutory restriction that prohibits the new construction of affordable housing in cities or counties than currently contain two times the state average of affordable housing on a per capita basis without the approval of the local governing entity; and the Department's policy to not exceed a twenty-five percent capture rate related to market demand and available housing units.

- Unlike the HTC program, the use of these funds is not financially feasible statewide without additional financial support through other funding sources. As compared to HTCs, the bonds have higher administrative costs due to the complexity of the transaction. The funding structure also requires higher rent levels in order to achieve a feasible cash flow. Because the higher rents are required, the bond transactions primarily occur in the state's four largest metropolitan areas (Dallas/Fort Worth, Austin, San Antonio, and Houston). Because the transactions are harder to structure, the desirability of sites in certain "qualified" census tracts that are designated by the Treasury to receive additional credits is increased. Again, this can add to submarket concentration concerns.

Destruction of Homes and Displacement of Populations Due to Natural Disasters

In August 2005, Texas absorbed more than 500,000 evacuees from the Gulf Coast areas devastated by Hurricane Katrina. Based on anecdotal evidence, state officials estimate 125,000 evacuees still reside in Texas, two and half years after the hurricane. The majority of this evacuee population remains in the Houston area. In September 2005, the Texas Coast was directly hit by Hurricane Rita. More than 75,000 homes in the 29 affected counties suffered major damage or were destroyed.[35] The effort to fully repair the damage in this region continues today.

The Community Development Block Grant (CDBG) Disaster Recovery programs administered through TDHCA address damage caused by Hurricane Rita with some programs targeted to Katrina evacuees offered through the City of Houston and Harris County.

Factors Affecting Developers

Recent turmoil in the housing and financial markets has also had a ripple affect on the developers of low-income housing. Developers utilizing the Housing Tax Credit program have encountered a contracting market for those credits, since uncertainties in the housing market and the volatility of the mortgage market have reduced investor activity. Housing developers are also experiencing an adverse shift in terms and availability on loans for land acquisition, land development, and construction, according to a report by the National Association of Homebuilders.[36]

[35] Office of the Governor, *Texas Rebounds*, (Austin, TX: Office of the Governor, February 2006).
[36] "Credit Tightening On Builder Loans Threatens To Prolong Housing Downturn," National Association of Homebuilders, April 30, 2008. http://www.nahb.org/news_details.aspx?newsID=7060

Additional factors putting pressure on developers are increasing construction costs and the rising cost of utilities due to higher energy costs. Because utility costs are deducted from Housing Tax Credit program rent limits, utilities reduce the amount of rent that can be collected from each unit. Developers face a problem when utility costs rise faster than rent limits, and net rental income is reduced. Tax credit rent limits have been stagnant in many areas of the country, partly due to changes made by HUD for determining area median incomes. Rising expenses, such as construction and insurance costs, also compound this issue.

VII. IMPACT OF FEDERAL STATUTES/ REGULATIONS

A. Role of Federal Involvement

Of TDHCA's program funding, 95 percent comes directly from the Federal Government. Since almost all of its funds are derived from federal sources, TDHCA activities and the corresponding beneficiaries have been and continue to be dictated by federal statutes. A brief description of each of those sources is below provided.

B. Description of Current and Anticipated Federal Activities

Community Development Block Grant Program (CDBG)

Source: US Department of Housing and Urban Development

Statute: 42 USCA § 5301 *et seq*.

Regulations: 24 CFR part 570

Purpose: The primary purpose of CDBG is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low and moderate income persons. While ORCA administers the state's formula allocation of CDBG funds, TDHCA, as lead agency, and ORCA are jointly administering CDBG funding provided for rebuilding after Hurricane Rita. ORCA also provides CDBG funds for the operation of seven Colonia Self-Help Centers. A second allocation of $428.6 million in supplemental CDBG disaster recovery funding was allocated by the federal government to further hurricane recovery efforts. This round of funding is currently being administered by TDHCA and ORCA, with a large portion of the funds distributed through a third party project management firm, ACS State and Local Solutions.

Community Services Block Grant Program (CSBG)

Source: US Department of Health and Human Services

Statute: 42 USCA § 9901 *et seq*.

Purpose: CSBG funds provide administrative support to the Community Action Network (Network) in Texas, organizations serving migrant seasonal farmworkers, and Native Americans. CSBG funds provide support which enables the Network to operate a comprehensive array of programs that address needs of low-income persons in the areas of education, nutrition, emergency services, employment, housing, health, income management, programs to assist persons obtain self-sufficiency, and information and referral services to link persons with other services available in the community. In many rural areas of the State, the Community Action Agency is one of a handful of organizations providing emergency services and services which help transition persons out of poverty into self-sufficiency.

Status: The FY 2008 Health and Human Services Appropriations Act (PL 109-149) provided $643 million for the CSBG, an increase of 3.65% from FY 2007. The Administration's budget requests for FY 2008 proposed elimination of the CSBG program. Texas will receive $31.3 million in CSBG funds in FY 2008. A cut or loss of funding of CSBG would have a devastating impact on estimated 481,598 low income persons in Texas who are served annually by programs supported with CSBG funds. Due to the availability of CSBG funds in 2007, the Network in Texas was able to leverage approximately $511million dollars of state, local, and private funds and resources.

Emergency Shelter Grants Program (ESGP)

Source: US Department of Housing and Urban Development

Statute: 42 USCA § 11371 *et seq.*

Regulations: 24 CFR part 576

Purpose: The purpose of the ESGP program is to rehabilitate or convert buildings for use as emergency shelters for the homeless, to pay certain operating expenses and essential services in connection with emergency shelters for the homeless, and to provide homeless prevention activities.

Status: The U.S. Department of Housing and Urban Development's Community Planning and Development Program (CPD) 2008 allocations for the Community Development Block Grant; HOME Investment Partnership, including the American Dream Downpayment Initiative; Housing Opportunities for Persons with AIDS (HOPWA); and Emergency Shelter Grants (ESG) totaled $385 million. Texas received $11 million in ESG funds and of this, the Texas Department of Housing and Community Affairs received $5.26 million.

Home Investment Partnerships Program (HOME)

Source: US Department of Housing and Urban Development

Statute: 42 USC §§ 12701-12839

Regulations: 24 CFR Part 92

Purpose: The HOME Investment Partnerships Program provides housing assistance for LI, VLI, and ELI people through homebuyer/downpayment assistance, tenant-based rental assistance, new construction or rehabilitation of owner-occupied housing and investment in the acquisition and/or new construction or rehabilitation of affordable multifamily housing.

Status: The FY 2008 HUD Appropriations Act (PL 110-161) provides approximately $1.7 billion for the HOME program, an approximate three percent (3%) decline in allocation compared to FY 2007. For FY 2008, TDHCA anticipates receiving $40,043,285, a combined $39,776,588 in HOME Investment Partnership Program funds and $266,637 in American Dream Downpayment Initiative (ADDI) funding to be distributed by HOME program staff.

Housing Tax Credit Program (HTC)

Source: US Treasury Department

Statute: 26 USCA § 42 (Internal Revenue Code of 1986, as amended)

Purpose: The HTC program provides credits against federal income taxes for owners of qualified low income rental housing projects and the allocation of available tax credit amounts.
Status: It is projected based on the per capita allocation formula that the state will receive $63,000,000 in Housing Tax Credits in 2008 ($48 million in competitive credits and $15 million in non-competitive credits associated with tax exempt bond financing).

Mortgage Revenue Bond Programs (MRBs)
Source: US Treasury Department
Statute: 26 USCA § 143 (Internal Revenue Code of 1986, as amended)
Purpose: Under the MRB program, the Department issues mortgage revenue bonds to help lower income working families buy their first homes with low interest loans. It includes a multifamily bond program and several single family bond programs.
Status: It is projected that the MRB program will receive $89,000,000 in 2008. The actual part of this amount that will be utilized may change significantly based on market conditions in the parts of the state where the bonds are supported by income levels and allowable rents.

Low Income Home Energy Assistance Program (LIHEAP)
Source: US Department of Health and Human Services
Statute: 42 USCA § 8621
Purpose: The LIHEAP program provides direct financial assistance for energy needs of low income persons through the Comprehensive Energy Assistance Program (CEAP), and to partially fund the Weatherization Assistance Program (see below).

Status: The Health and Human Services (HHS) received appropriated funds from the Consolidated Appropriations Act, 2008 (P.L. 110-161), which provided $1.98 billion for LIHEAP. The Administration has proposed reducing LIHEAP funding to $1.7 billion in FY 2009. Texas will receive approximately $44.16 million in LIHEAP funding for FY 2009. If LIHEAP is cut to $1.7 billion for FY 2009, Texas' share is likely to drop to $37.81 million.

Weatherization Assistance Program (WAP)
Source: US Department of Energy (DOE) and US Department of Health and Human Services
Statute: 42 USCA § 6861
Regulations: 10 CFR part 440
Purpose: WAP provides residential weatherization and other cost-effective energy-related home repair to increase the energy efficiency of dwellings owned or occupied by low income persons.
Status: The FY 2008 DOE award to the State of Texas is $5,549,413. The Department estimates the proposed funding for FY 2009 to be level funding at approximately $5.5 million. The WAP receives approximately 15% of the LIHEAP allocation.

Section 8 Housing Assistance Program

Source: US Department of Housing and Urban Development

Statute: 42 USCA § 1437f

Regulations: 24 CFR 882.101 *et seq.*

Purpose: Section 8 provides rent subsidy vouchers to families and individuals, including the elderly and persons with disabilities, whose annual gross income does not exceed 50 percent of HUD's median income guidelines. The statewide program is designed specifically for needy families in small cities and rural communities not served by similar local or regional programs.

Status: The FY 2008 HUD Appropriations Act (PL 110-161) provides $15.9 billion for the Section 8 program. TDHCA, which administers 1,064 vouchers out of 144,000 in the state, will receive approximately $5.6 million for FY 2008 activities.

VIII. Other Legal Issues

The Texas Legislature has given local governments significant discretion over applications in areas where a potential over concentration of HTC units may exist. The Department works to ensure that local governments are aware of possible TDHCA funding awards in their community through an extensive notification process. With the provision of these notifications, local officials and community organizations are encouraged to comment on the need and impact of the development on local community. Such comments are considered in the final approval of the Board of the application.

In some programs, state and local support for an application is part of the scoring criteria in the application process. The Department's Multifamily Bond applications include scoring criteria that provides "points" for public comment from local officials. HTC and MRB applications receive points for receiving a commitment for local funding or in-kind contributions (i.e., donations of land, waivers of fees such as building permits, water and sewer tap fees or similar contributions) that would benefit the development. Applicants may also receive points for developing in locations with city or county-sponsored zones or districts or rehabilitating an existing Residential Development that is part of a Community Revitalization Plan.

Local governments control each applicant's ability to provide evidence of proper zoning for the development site and consistency with local consolidated planning documents. In instances where the property is not currently zoned for housing, the local government may deny a requested zoning change which would make the development ineligible for consideration.

Local governments have significant input on applications in their local areas.

- For applications that involve HTCs, applicants must receive a resolution from the local governing body for approval to add new units if the application is proposing new construction that is within one mile of an existing development that has received an allocation of Housing Tax Credits or Private Activity Bonds for new construction within the last three years and that serves the same population type (elderly/elderly or family/family). This applies to applications proposing New Construction and Adaptive Reuse in counties with over one million in population.

- Additionally, applications proposing development in a city or county that has more than twice the state average per capita of affordable housing units supported by Housing Tax Credits or Private Activity Bonds must receive a resolution from the local governing body for approval to develop in that city or county. This applies to applications proposing New Construction, Adaptive Reuse, and Acquisition/Rehabilitation.

While they do not impact TDHCA directly, the following local governmental issues can be barriers to the provision of affordable housing.

- Zoning provisions: A municipality's zoning authority governs the type and direction of growth within their boundaries. Ordinances may be passed to encourage affordable housing through measures such as lowering minimum lot sizes, decreasing building set-back requirements, and lowering minimum square footages of homes. However, ordinances that prohibit these types of activities can drive land and construction costs up to the point that affordable housing cannot be built.
- Impact Fees and Development Fees: As a condition of permit approval, municipalities may assess fees to pay for infrastructure costs. These impact fees increase the cost of developing all types of housing including affordable housing.

IX. Self-Evaluation and Opportunities For Improvement

A. Effectiveness and Efficiency of the Department

Performance Measures

This section discusses TDHCA's performance with measures established by the 80th Legislature or by the Department. Goals one through five were established by the General Appropriations Act through interactions between TDHCA, the LBB, and the Legislature.

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.

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 lead 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.

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

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 families earning less than 60% of median family income.	$2,000,000	$0	0%	$2,000,000

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.

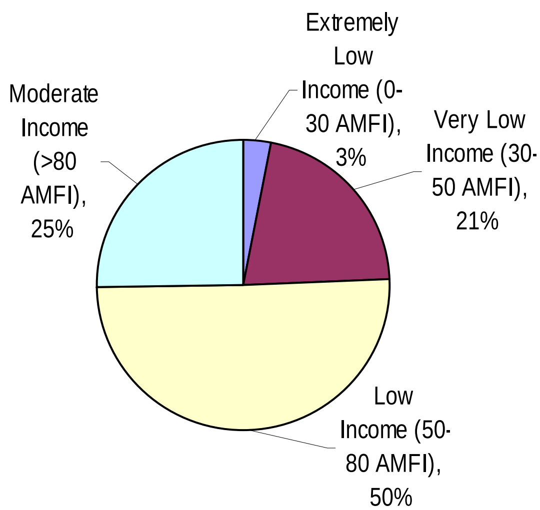
Strategy 9.4:
Discourage the segregation of persons with special needs from the general public.

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.

Serving Critical Populations

As shown in the figures below, the distribution of TDHCA's housing resources in fiscal year 2007 showed a clear prioritization of assistance to individuals and households with the lowest incomes. The vast majority of households served by the Department were classified as extremely low income, very low income, and extremely low income.

Total Funding by Income Level, FY 2007



Total Households Served by Income Level, FY 2007

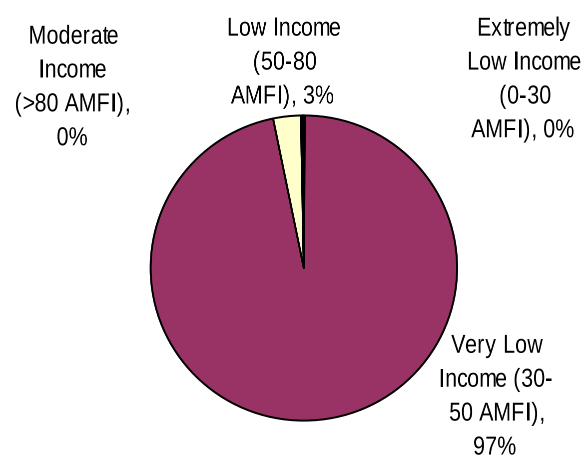


Table 23: TDHCA Funding and Households/Persons Served by Income Category, FY 2007 - All Activities

Income Type	Committed Funds	# of Households or Individuals Served*	% of Committed Funds	% of Households or Individuals Served
ELI (0-30 AMFI)	$19,605,793	1,491	3%	0%
Very Low Income (30-50 AMFI)	$136,010,258	682,277	21%	98%
Low Income (50-80 AMFI)	$321,261,371	12,732	50%	2%
Moderate Income and Up (>80 AMFI)	$162,494,849	1269	25%	0%
Total for All Incomes	$639,372,271	697,769	100%	100%

*Includes ESG and CSBG, which are allocated to individuals.

Industry Best Practices

TDHCA is an active member of the following housing and community service industry groups.

- National Council of State Housing Agencies. This organization is comprised of housing finance agencies from of every state, the District of Columbia, Puerto Rico, and the Virgin Islands, and more than 350 profit and nonprofit firms in the affordable housing field. In addition to being a good source of research information on these agencies' activities, this organization holds a number of conferences and training sessions throughout the year where its members meet to discuss best practices and success stories.
- National Association for State Community Services Programs. Membership in this organization includes state administrators of both the CSBG and WAP. The organization was created to provide research, analysis, training and technical assistance to state CSBG and WAP offices, the Community Action Network, community action agencies and state associations, in order to increase their capacity to prevent and reduce poverty.
- National Energy Assistance Directors' Association. Membership in this organization consists of state administrators and tribal directors of the LIHEAP. The organization is the primary educational and policy organization for the state and tribal directors of the LIHEAP. The organization also works closely with the National Association for State Community Services Programs, representing the state weatherization program offices and the National Association of State Energy Officials to more effectively share ideas on the delivery of state energy services through the Energy Programs Consortium.

Insights Gained and Implemented Programmatic Changes

The Department undergoes regular audits and monitoring reviews including reviews by its Internal Auditing Division, its external certified independent auditors, its funding source agencies, and the SAO.

Independent audits of its financial statements are conducted on an annual basis, regular audits of its major federal programs in connection with Federal Single Audits coordinated by the SAO, various monitoring reviews of its federal programs by its Federal funding agencies, as well as reviews of particular functions or processes by its internal auditors.

Other periodic oversight reviews of TDHCA's activities include:

- State Office of Risk Management reviews of physical safety practices.
- Comptroller of Public Accounts reviews of compliance with state laws and rules concerning expenditures and processing requirements of the uniform statewide accounting system.
- State Energy Conservation Office reviews of the administration of these funds.

The results of these audits and reviews have improved TDHCA's controls designed to: achieve the objectives and goals of the agency, comply with program rules and regulations, and safeguard the Department's assets. Some specific examples include:

- Quality assurance and control procedures have been enhanced for the Section 8 program to better: assess participant eligibility, protect voucher holder rights, ensure that reasonable rents are charged, and calculate utility allowances. Processes and controls have been added to ensure the proper execution of property owner contracts, the satisfaction of housing quality standards, and timely deficiency correction. Additionally, access to computer systems has been improved to protect the quality of the Section 8 data, to ensure that transactions cannot be passed on for payment without proper approval, and to protect the systems against unauthorized changes to computer code and data.
- Enhancements have been made to the RAF to consider required available housing resources to address statutory requirements relating to the allocation of HOME, HTC, and HTF program dollars.
- The risk assessment process used to identify high-risk subrecipients for field monitoring visits has been enhanced to include a complete population of subrecipients to be considered, standard operating procedures and documentation standards.
- The review of Federal Single Audits performed on its subrecipients has been enhanced to better use the information for monitoring planning purposes. Controls have been improved to ensure audit findings are forwarded to and considered by staff responsible for performing risk assessments of subrecipients for identifying high-risk subrecipients that warrant greater monitoring attention. Processes have been improved to ensure that corrective actions for audit findings are taken in a more timely fashion, when appropriate, and that management decisions are issued in a timely fashion. The Department has made its single audit review process more efficient by limiting the extent of its review to that which is required by the Federal Single Audit Act.

- The Department has improved its time accounting procedures to ensure employees salaries are properly allocated to federal programs.

TDHCA has also implemented a risk management program to accomplish similar objectives to its oversight audits and reviews. While the program was designed to ensure compliance with Executive Order RP36, July 2004, relating to preventing, detecting, and eliminating fraud, waste and abuse, it is also designed to identify, prioritize, assess, document, report, monitor and address other financial, operating, and legal risks of the Department.

<u>HOME Contract Administration</u>

The Department has made significant recent progress in the administration of the HOME Program.

- In December 2003, the TDHCA Contract System was rolled out. The system allows administrators to enter draw information, itemize costs, set up contract activities (project setups), enter match information, enter project completion report data, and view programmatic and financial information associated with their contracts in real time. The system gathered a substantial amount of contract information that was not previously captured, which provided an opportunity to run reports on contractual performance and real time program beneficiary information. This system has significantly helped the Department improve program efficiency and more effectively track and monitor contract performance.
- Procedures designed to further improve efficiency and accountability in HOME program administration have been implemented. These procedures include analyzing commitments and expenditures through data analysis and added incentives for administrators to perform according to contractual terms.
- A concerted effort has been made to update, add, and correct information previously entered in HUD's Integrated Disbursement and Information System. This system is the mechanism used by HUD to produce the HUD score card, which reports on performance in the areas of HOME commitment, expenditure, leveraging, low-income benefit, and rental assistance. Access to HUD's system has been appropriately restricted to preclude individuals from having the ability to both initiate and approve draw downs of HOME funds, which might result in disbursement of funds in error or without proper authorization.
- The Department has improved its environmental compliance and enforcement program over the HOME program to ensure compliance with HUD regulations.
- Controls have been added to ensure that LBB performance measurement information for the number of households the HOME program serves by income level is adequately supported and retained.
- TDHCA also analyzed the processes and mechanisms in place from a programmatic view point. From this review, it completed multiple projects designed to provide better guidance to Administrators and staff. The result is improved program compliance. Some of these projects include development of: new and updated manuals, a technical assistance function, and plans to address areas of program administration weakness.

The combination of these activities ensures that the Department satisfies HOME program requirements and ensures that funds are spent accountably.

B. Agency Characteristics Requiring Improvement

Communication Regarding the Need for Affordable Housing

While statistics and anecdotal evidence support the enormous need for affordable housing, the Department has determined that additional efforts need to be made to communicate that need to public officials and organizations that can help to address this need in their communities. To that end, staff has made a strong effort to meet with elected officials and neighborhood groups to help them understand TDHCA's programs and processes and how to participate in those processes effectively. The Department has also established general and specific program email distribution lists to announce funding opportunities, hearings, or other events within the Department.

Communication with Customers

From the 2008 Report of Customer Service, 72 percent of respondents stated that they were satisfied with their experience with TDHCA and 69 percent said TDHCA staff responded to their emails and voice messages in a timely manner. However, 19 percent disagreed with the statement that TDHCA automated phone system is easy to navigate and helps them reach the correct division or individual when they call. Staff believes that a primary reason for the dissatisfaction rate is caused by a lengthy phone menu for the automated system. Staffing limitations have also led to lengthy wait times experienced by some callers to the Manufactured Housing telephone line. TDHCA is constantly making changes to improve the telephone systems, including updating the menu of the automated phone system and will work to increase satisfaction with the system in the future.

C. Key Obstacles

A number of macro issues that present obstacles to TDHCA's ongoing efforts are below provided in alphabetical order.

Fiscal: The largest obstacle TDHCA faces is the limited amount of financial resources available for affordable housing. Even with all of its resources, TDHCA can serve only about 1 percent of those in need. The most apparent obstacle to meeting underserved housing needs in Texas is a severe shortage of affordable housing stock. There is a corresponding shortage of funding sources to maintain and increase this housing stock. With few exceptions, every housing program administered by TDHCA receives far more applications than could be funded from available resources. This is evidence that there is significant interest on the part of both the nonprofit and for-profit sectors to produce the housing that is needed. While layering, leveraging, and partnering helps to stretch available funds, there is no amount of innovation that will overcome this lack of funding.

Geographic: Only the Manufactured Housing Division has a somewhat statewide presence with its field office locations in Dallas-Ft. Worth, Edinburg, Houston, Lubbock, San Antonio, Tyler, and Waco. While OCI has field offices located in two of the state service regions along the Texas-Mexico border, there are no field offices for housing and community development activities in any of the state's other 11 regions. Due to fiscal and FTE constraints that make the provision of local field offices unfeasible, it is very difficult to establish and maintain a regional and local presence in a state as large as Texas.

Lack of Organizational Capacity: A lack of organizational capacity, in both experience and financial resources, often makes it difficult for smaller communities to address their affordable housing issues. As compared to larger metropolitan areas, these communities have fewer resources that can be used a matching funds, staff members (if any) to put together an application and oversee an application is funding is obtained.

Local Opposition to Affordable Housing: It is a common perception that affordable housing helps contribute to overcrowded schools, increased crime rates, traffic congestion, and general neighborhood deterioration that will lower the surrounding property values. As a result, developments requesting funding from TDHCA can experience significant opposition. TDHCA continues to work to educate the general public on affordable housing issues and encourages developers to interact directly with neighborhood organizations throughout the application process. This educational process is done with such tools as the public hearing process, TDHCA's website and publications, and the application scoring criteria for rental development funding.

Technological: Since TDHCA was created in 1991, its program data has tended to be stored and accessed in a number of separate databases. These separate data sources have been an obstacle to effective agency operations. Through the Central Database project, TDHCA has managed to consolidate much of this data into a single source. This has allowed for processes associated with contract management, draw requests, and compliance reporting to be automated. Nevertheless, gaps still remain in unifying TDHCA's 15-plus programs' varying reporting requirements, report formats, and data storage methods have made performance reporting and analysis difficult. A Central Database project to consolidate many of the various databases is ongoing.

D. Opportunities

Human Resources

<u>Retention Programs</u>

In an effort to ensure employees are fairly and equitably compensated, a recent Department-wide classification audit was conducted by the State Auditor's Office to determine misclassifications for the Department. The audit found only 8 positions that required reclassification and pay scale adjustment. Additionally, the Department has purchased wage surveys to compare the organization to its peers nationally. Pay studies will continue to analyze, study, and identify areas of concern. Such studies help to ensure that employees are compensated at rates that are comparable with what they would earn elsewhere.

<u>Internal Communications</u>

The Department has strengthened internal efforts to ensure that communications to employees increase through the development of an agency-wide Intranet communication page called the TDHCA Electronic Water Cooler, a quarterly agency newsletter, quarterly *HR Herald* newsletter, increased division and section meetings, agency-wide communication memos as the need arises, and Departmental agency-wide communications meetings. An events planning committee is also active to help coordinate events that will work to build morale and to recognize employee achievements.

Organizational Training and Employee Development

In February 2008, TDHCA participated in an Organizational Excellence Survey sponsored by the University of Texas. The survey helps TDHCA leadership by providing information about work force issues that impact the quality of service ultimately delivered its customers. The data provide information not only about employees' perceptions of the effectiveness of their own organization, but also about employees' satisfaction with their employer. This will help management work to address TDHCA's strengths and weaknesses as seen through the eyes of its employees. Results of this survey are described in Appendix F.

In 2007 TDHCA convened a committee of staff members to study the options for an employee mentoring program at the Department. Such a program would pair employees with more-senior staff members with the goal of improving cross-divisional communication and employee morale. The proposed program is still under consideration.

Technology

Throughout the FY 2009-2013 time period, TDHCA will focus on the following technology initiatives in support of Department objectives:

- Manufactured Housing System Upgrade (FY 2008-2009 capital budget project)
- PeopleSoft Financials version upgrades to stay up-to-date with the Office of the Comptroller of Public Accounts Integrated Statewide Accounting System (ISAS) version of PeopleSoft Financials
- Yearly upgrades of the Mitas Automated Accounting and Loan Servicing systems
- Frequent upgrades of the HAPPY Housing Pro Section 8 System
- IT security and disaster preparedness
- Web site enhancements to provide customers easier access to information
- Enhancement projects for the Department's custom systems
- Continued technical support for Department employees and external customers

The internet, through the TDHCA list serve and website, continues to offer new opportunities to communicate directly with the department's customers. A recent example of the use of online technology is the use of a low cost, efficient online surveying program from a company called Survey Monkey. In May 2008, this survey instrument was used to conduct the paperless 2008 Customer Service Survey.

Political

The Department welcomes the opportunity to engage in discussions with all members of the Texas Legislature regarding matters of affordable housing and community affairs. More specifically, the Department would like to increase the members' awareness of these matters as well as legislative district-specific information on funding totals and purposes within each district. Economic development in the state also relies heavily upon the existence and availability of affordable housing and the Department seeks to convey this idea to the Legislature. The increased dialogue between the Department and the state's policy-makers would provide more complete information for the Legislature as they deliberate on the important matters of affordable housing and community affairs.

E. Working with Federal, State, and Local Entities to Achieve Success

Because the efficiency of service provision and the capacity of available resources to create successful housing and housing-related endeavors can be greatly increased through partnerships with federal, state, regional, and local organizations, TDHCA strives to develop and maintain partnerships with a wide variety of groups.

Coordination with Federal Agencies

As discussed in detail in the "Description of Current and Anticipated Federal Activities" contained in Section VII, TDHCA works with a number of Federal organizations to allocate its funding. These organizations include the US Department of Housing and Urban Development, US Department of the Treasury, the US Department of Health and Human Services, and the US Department of Energy. TDHCA works to establish effective working relationships with these organizations' personnel at both the national and regional level. In addition to ensuring that planning and oversight efforts are accomplished successfully, these partnerships leads to joint marketing of programs, cross program client referrals, and technical assistance with workshops and other training efforts.

As a provider of services to rural Texas communities, TDHCA has an ongoing relationship with USDA Rural Development. Collaborations have been achieved through several TDHCA programs (HTC, HTF, HOME) in the form of multifamily developments and single family homeownership initiatives.

Coordination with State Agencies

Below is a listing of state agencies that TDHCA works with on an ongoing basis.

- Office of Rural Community Affairs (ORCA): TDHCA and ORCA have entered into an interagency contract to jointly administer the rural regional allocation of the HTC Program. TDHCA and ORCA jointly provide outreach and training to promote rural area capacity building, develop threshold requirements and scoring criteria for the rural applications, and score the applications. ORCA also participates in the site inspection of rural developments proposed under the rural allocation. TDHCA and ORCA coordinate services in seven Colonia Self-Help Centers to provide housing and technical assistance to improve the quality of life for colonia residents.

- Texas Interagency Council for the Homeless: TDHCA serves as a member of, and provides administrative support to, the Texas Interagency Council for the Homeless—a council comprised of six member state agencies.
- Texas Department of Aging and Disability Services (DADS): TDHCA, in cooperation with the DADS, the Texas Health and Human Services Commission, and local PHAs, administers a housing voucher pilot program developed by HUD, the DHHS, and the Institute on Disability at the University of New Hampshire. “Project Access” helps low income persons with disabilities transition from nursing facilities into the community by providing access to affordable housing.
- Texas State Affordable Housing Corporation (TSAHC): TDHCA works with TSAHC to share data and information in the development of the State of Texas Low Income Housing Plan and Annual Report. TSAHC also performs asset management activities, including on-site inspections and financial feasibility reviews, for TDHCA MFB properties, as well as manages the bank account for the TDHCA Texas Statewide Homebuyer Education Program.

Coordination with Local and Regional Governments and Other Organizations

Most recently in 2006, TDHCA conducted a major outreach effort to better understand local needs for specific types of funding and services. This outreach was in the form of a Community Needs Survey that was made available online to community leaders across the state. These leaders included state senators and representatives, city mayors and county judges, city managers, housing and community development departments, US Department of Agriculture regional offices, public housing authorities, councils of governments, community action agencies, and HOPWA administrative agencies.

This survey provided the respondents with opportunity to describe their community's specific housing, assistance, and community development issues. The survey findings will help determine how to most effectively use existing resources, help develop future assistance programs, and will be used as a description of local need in TDHCA planning documents. This data is particularly useful to the Department because it helps inform decisions on what activities will be particularly encouraged through the application process. For example, the survey results help determine whether or not a higher percentage of funding should be dedicated towards new versus rehab multifamily development or if more funding is needed for owner occupied rehabilitation than down payment assistance. Knowing what kind of assistance is in great demand allows set aside amounts and scoring priorities in the program rules to be adjusted accordingly.

Organizations that TDHCA continues to partner with across the state include the following.

- Local Utility Companies: Partnerships with financial commitments between the Weatherization Assistance Program and Southwestern Electric Power Company, Southwestern Public Service Company, Entergy, and El Paso Electric, provide energy conservation measures to very low and extremely low income utility customers.
- NeighborWorks America. TDHCA continues to contract with NeighborWorks America to facilitate the Texas Statewide Homebuyer Education Program training. The program also

collaborates with several other partners including TSAHC, JP Morgan Chase, Fannie Mae, the Texas Home of Your Own Coalition, and Texas C-BAR to implement the trainings.

- Texas Association of Realtors: In December 2004, the Department entered into a partnership with the Texas Association of Realtors and Fannie Mae to develop an educational outreach campaign to help first time homebuyers access low-cost mortgage financing.
- Texas Homeless Network: TDHCA collaborates with the Texas Homeless Network through TDHCA's work on the Texas Interagency Council on Homelessness to build the capacity of homeless coalitions across the State of Texas, enabling them to become more effective in the communities they serve.
- Texas Loan Star Program: Through a partnership between TDHCA and CitiMortgage, the Texas Loan Star Program provides financing for a market-rate, 30-year first lien mortgage loan for qualifying borrowers residing in the state of Texas. In addition, the program provides financing for closing costs up to 8 percent of the mortgage amount through a 20-year second lien mortgage loan. As little as $500 is required from the borrowers' own funds towards the transaction.

F. Access to Key Resources

Technological

Open source software will continue to have a positive impact on the Department's IT architecture. TDHCA's IS Division has made evaluation of this alternative, which is free of software licensing costs, a standard part of the process of selecting technical products to meet agency operational needs.

Community/Business Resources

There is an existing network of local service providers which represent a substantial community resource. TDHCA will continue to work closely to help support the ongoing efforts of the following types of organizations: community action agencies, community development corporations, PHAs, CHDOs, faith-based organizations, nonprofit and for-profit entities. The dedicated efforts of these organizations allow the State to make the most of limited funding.

Employees' Attitudes and Possibilities for Change

In February of 2008, TDHCA participated in the Survey of Organizational Excellence sponsored by the University of Texas with a response rate of 85 percent. This survey forms the basis of the following observations concerning TDHCA's strengths and weaknesses according to the employees of the Department:

In reviewing the following sections, the following scoring categorizations are useful:

- Scores of 400 or higher indicate areas of substantial strength.
- Scores above 300 indicate employees perceive the issue more positively than negatively.

- Scores below 300 indicate employees perceive the issue more negatively than positively.
- Scores below 200 indicate areas of concern for the Department. They should receive immediate attention. No items in the TDHCA survey scored below the 200 range.

In comparison to the 2005 Survey or Organizational Excellence the Department scores improved. The chart below shows the comparison of scores for 2005 versus 2008. All the scores increased in 2008 with the exception of one score that remained the same.

Score Legend

♦	5 highest scores
◊	5 lowest scores

CONS#	CONSTRUCT NAME	SCORE 2005	SCORE 2008	POINTS DEVIATED
1	Supervisor Effectiveness	◊ 330	◊ 348	+18
2	Fairness	343	362	+19
3	Team Effectiveness	◊ 327	◊ 345	+18
4	Diversity	342	364	+22
5	Fair Pay	◊ 274	◊ 302	+28
6	Physical Environment	♦ 377	♦ 377	Same
7	Benefits	359	373	+14
8	Employment Development	352	♦ 377	+25
9	Change Oriented	◊ 334	◊ 348	+14
10	Goal Oriented	346	362	+16
11	Holographic	343	353	+10
12	Strategic	♦ 384	♦ 386	+2
13	Quality	♦ 375	♦ 388	+13
14	Internal	◊ 326	◊ 333	+7
15	Availability	♦ 369	373	+4
16	External	♦ 373	♦ 376	+3
17	Job Satisfaction	362	367	+5
18	Time and Stress	356	368	+12
19	Burnout	358	368	+10
20	Empowerment	351	362	+11

Areas of Strength

The Department's strengths lie in the perception employees have according to the following: Qualify, Strategic, Physical Environment, Employee Development, and External. They are discussed below in the order of scores received, from highest to lowest.

- ***Quality (388):*** Describes the degree to which the quality principles, such as customer service and continuous improvement are a part of the organizational culture.
- ***Strategic (386):*** This reflects employees' thinking about how the Department's Strategic Orientation culture responds to external influences that should a play a role in defining the mission, vision, services and products. This implies the ability of the Department to seek out and work with relevant external entities.
- ***Physical Environment (377):*** Describes the employees' perceptions of the total work atmosphere and the degree to which employees believe it is a "safe" working

environment. This category addresses the “feel” of the workplace as perceived by the employee.

Note: The surveying effort occurred after the Department’s move to a new building with substantially different working environment and parking situation.

- ***Employee Development: (377)*** This category is an assessment of the priority given to employee’s personal and job growth. It provides insight into whether the culture of the organization sees human resources as the most important resource or as one of many resources. It directly addresses the degree to which the organization is seeking to maximize gains from investment in employees.
- ***External (376):*** This category looks at how information flows into the Department from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of Department staff to synthesize and apply external information to work performed by the Department.

Areas of Concern

Areas where TDHCA did not score as high were Fair Pay, Internal Communication, Team Effectiveness, Supervisor Effectiveness, and Change Orientation issues as described below from lowest score to highest scores. While Fair Pay is the lowest score, it is still viewed as more positive than negative.

- ***Fair Pay (302)***: Fair Pay is a common negative perception across most, if not all, state agencies. This category addresses perceptions of the overall compensation package offered by the Department. It describes how well the compensation package “holds up” when employees compare it to similar jobs in other organizations.
- ***Internal (333):*** This captures the flow of communication within the Department from the top down, bottom up, and across divisions. It addresses the extent to which communication exchanges are open and candid and move the Department toward goal achievement.
- ***Team Effectiveness (345):*** This describes employees’ perceptions of the people within the Department with whom they work on a daily basis to accomplish their jobs (the work group or team). Also, it gathers data about how effective employees think their work group is as well as the extent to which the Department’s environment supports cooperation among employees.
- ***Supervisor Effectiveness (348):*** This category provides insight into the nature of supervisory relationships in the Department, including the quality of communications, leadership, thoroughness, and fairness that employees perceive exists between supervisors and them. This category helps organizational leaders determine the extent to which supervisory relationships are a positive element of the organization.
- ***Change Oriented (348)*****:** This category describes employees’ perceptions of the Department’s capability and readiness to change based on new information and ideas. It also addresses the Department’s aptitude to process information timely and to act upon it effectively. Most importantly, it also examines the organization’s capacity to draw upon, develop, and utilize the strengths of all in the Department for improvement.

Strategies for Improvement

The Department will continue to capitalize on the information derived from the 2008 Survey of Organizational Excellence.

Improving Areas of Concern

- ***Fair Pay***: While Fair Pay continues to be the lowest scoring category for the Department this category has improved based on the last survey score. There have been many ways the Department has addressed fair pay to include:
  - Review of all pay actions for equity among similar positions.
  - Providing each Division Director with equity reports for the division and an equity report for Department positions.
  - A Department-wide classification audit was conducted by the State Auditor's Office to determine misclassifications for the Department. There were only 8 positions that needed to be reclassified as part of this audit. The Department requires that employee classifications be reviewed during each employee annual performance review to ensure that position classifications are appropriate.
  - The Department participated in a National Housing Organization Compensation Survey. This survey allows the Department to review salaries of other similar positions in comparison to Department salaries.

Enhancing Strengths

- The Department is committed to instilling a culture of diversity, transparency, professionalism, and integrity. The Department will continue to analyze organizational development through review of program organizational structure to ensure that processes and program goals and objectives are being met with the most streamlined measures and are functioning effectively and efficiently.
- The Department will continue to have open communications with staff and will promote an environment that allows employees to improve their skills and abilities through continuing education, external training, in-house training, and other training resources as needed.

TDHCA GOALS, OBJECTIVES, AND STRATEGIES AND THE ASSOCIATED OUTCOME, EFFICIENCY, EXPLANATORY, AND OUTPUT MEASURES

Goal 1.
To increase and preserve the availability of safe, decent, and affordable housing for very low, low, and moderate income persons and families.

Objective 1.
Make loans, grants, and incentives available to fund eligible housing activities and preserve/create single and multifamily units for very low, low, and moderate income households.

Outcome Measures
1. Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance
2. Percent of Households/Individuals of Very Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance
3. Percent of Households/Individuals of Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance
4. Percent of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance
5. Percent of Multifamily Rental Units Benefiting Very Low, Low and Moderate Income Households
6. Percent of Single Family Finance Division Funding for Affordable Housing Assistance that is Allocated within Established Time Frames
7. Percent of Multifamily Finance Division Funding for Affordable Housing Assistance that is Allocated within Established Time Frames

Strategy 1.
Provide federal mortgage loans, through the department's Mortgage Revenue Bond (MRB) Program, which are below the conventional market interest rates to very low, low, and moderate income homebuyers.

Efficiency Measures
1. Average Loan Amount per Household Assisted through the First Time Homebuyer Program
2. Average Loan Amount per Household Assisted through the Down Payment Assistance Program
3. Average Loan/Grant Amount per Household Assisted with New Construction Activities
4. Average Loan/Grant Amount per Household Assisted with Rehabilitation Activities
5. Average Amount per Household Assisted the Mortgage Credit Certificate Program

Explanatory Measures
1. Number of Households Assisted through the First Time Homebuyer Program
2. Number of Households Assisted through the Down Payment Assistance Program
3. Number of Households Assisted through New Construction Activities
4. Number of Households Assisted through Rehabilitation Activities
5. Number of Households Assisted through the Mortgage Credit Certificate Program

Output Measures
1. Number of Households Assisted with Single Family Mortgage Revenue Bond Funds

Strategy 2.
Provide federal housing loans and grants through the HOME Investment Partnership (HOME) Program for very low and low income families, focusing on the construction of single family housing in rural areas of the state through partnerships with the private sector.

Efficiency Measures
1. Average Amount per Household for New Construction Activities
2. Average Amount per Household for Rehabilitation Activities
3. Average Amount per Household Assisted with CHDO Mortgage Financing and Homebuyer Assistance Funds
4. Average Amount per Household Assisted with Non-CHDO Mortgage Financing and Homebuyer Assistance Funds
5. Average Amount per Household Receiving Tenant-based Rental Assistance

Explanatory Measures
1. Number of Households Assisted through New Construction Activities
2. Number of Households Assisted through Rehabilitation Activities
3. Number of Households Assisted through CHDO Mortgage Financing/Homebuyer Assistance
4. Number of Households Assisted through Non-CHDO Mortgage Financing/Homebuyer Assist
5. Number of Households Assisted through Tenant-based Rental Assistance

Output Measures
1. Number of Households Assisted with Single Family HOME Funds

Strategy 3.
Provide state housing loans and grants through the HTF for very low and low income households.

Efficiency Measures
1. Average Amount per Household for New Construction Activities
2. Average Amount per Household for Rehabilitation Activities

Explanatory Measures
1. Number of Households Assisted through New Construction Activities
2. Number of Households Assisted through Rehabilitation Activities

Output Measures
1. Number of Households Assisted through the Single Family HTF Program

Strategy 4.
Provide federal rental assistance through Section 8 certificates and vouchers for very low income households.

Efficiency Measures
1. Average Amount Tenant-based Rental Assistance per Household

Output Measures
1. Number of Households Assisted through Statewide Housing Assistance Payments Program

Strategy 5.
Provide federal tax credits to develop rental housing for very low and low income households.

Efficiency Measures
1. Average Amount of Credits per Household for New Construction Activities
2. Average Total Development Costs per Household for New Construction Activities
3. Average Amount of Credits per Household for Rehabilitation Activities
4. Average Total Development Costs per Household for Rehabilitation Activities

Explanatory Measures
1. Number of Households Assisted through New Construction Activities
2. Number of Households Assisted through Rehabilitation Activities

Output Measures
1. Number of Households Assisted through the HTC Program

Strategy 6.
Provide federal housing loans and grants through the HOME Investment Partnership (HOME) Program for very low and low income families, focusing on the construction of multifamily housing units in rural areas of the state through partnerships the private sector.

Efficiency Measures
1. Average Amount per Household for CHDO New Construction Activities
2. Average Total Development Costs per Household for CHDO New Construction Activities
3. Average Amount per Household for Non-CHDO New Construction Activities
4. Average Total Development Costs per Household for Non-CHDO New Construction Activities
5. Average Amount per Household for CHDO Rehabilitation/Acquisition Activities
6. Average Total Development Costs per Household for CHDO Rehabilitation/Acquisition Act
7. Average Amount per Household for Non-CHDO Rehabilitation/Acquisition Activities
8. Average Total Development Costs per Household for Non-CHDO Rehabilitation/Acquisition Activities

Explanatory Measures
1. Number of Households Assisted through CHDO New Construction Activities
2. Number of Households Assisted through Non-CHDO New Construction Activities
3. Number of Households Assisted through CHDO Rehabilitation/Acquisition Activities
4. Number of Households Assisted through Non-CHDO Rehabilitation/Acquisition Activities

Output Measures
1. Number of Households Assisted with Multifamily HOME Funds

Strategy 7.
Provide state housing loans and grants through the HTF for very low and low income households.

Efficiency Measures
1. Average Amount per Household for New Construction Activities
2. Average Total development Costs per Household for New Construction Activities
3. Average Amount per Household for Rehabilitation Activities
4. Average Total Development Costs per Household for Rehabilitation Activities

Explanatory Measures
1. Number of Households Assisted through New Construction Activities
2. Number of Households Assisted through Rehabilitation Activities

Output Measures
1. Number of Households Assisted through the Multifamily HTF Program

Strategy 8.
Provide federal mortgage loans through the department's Mortgage Revenue Bond (MRB) program for the acquisition, restoration, construction and preservation of multifamily rental units for very low, low and moderate income families.

Efficiency Measures
1. Average Amount per Household for New Construction Activities
2. Average Total Development Costs per Household for New Construction Activities
3. Average Amount per Household for Rehabilitation/Acquisition Activities
4. Average Total Development Costs per Household for Rehabilitation Activities

Explanatory Measures
1. Number of Households Assisted through New Construction Activities
2. Number of Households Assisted through Rehabilitation Activities

Output Measures
1. Number of Households Assisted through the Multifamily Mortgage Revenue Bond Program

Goal 2.
Promote improved housing conditions for extremely LI, VLI, and low income households by providing information and technical assistance.

Objective 1.
Provide information and technical assistance regarding affordable housing resources and community support services.

Outcome 1.
Percent of Short Term and Long Term Information and Technical Assistance Requests Fulfilled within Established Time Frames

Strategy 1.
Provide information and technical assistance to the public through the Housing Resource Center

Output Measures
1. Number of Information and Technical Assistance Requests Completed
2. Number of Short Term Information and Technical Assistance Requests Completed
3. Number of Long Term Information and Technical Assistance Requests Completed

Objective 2.
Promote and enhance homeownership opportunities along with the development of safe neighborhoods and effective community services for colonia residents and/or residents of LI, VLI, and ELI along the Texas-Mexico border.

Strategy 1.
Assist colonias, border communities, and non-profits through Department programs, Border Field Offices, and Colonia Self-Help Centers.

Output Measures
1. Number of Technical Assistance Contacts and Visits Conducted by Border Field Offices
2. Number of Colonia Residents Receiving Technical Assistance Annually through the Colonia Field Offices
3. Number of Entities and/or Individuals Receiving Informational Resources

Goal 3.
Improve living conditions for the poor and homeless and reduce cost of home energy for very low income Texans.

Objective 1.
To ease hardships of poverty and homelessness for 16 percent of the population of very low income persons each year.

Outcome Measures
1. Percent of persons in Poverty That Received Homeless and Poverty-related Assistance
2. Percent of Emergency Shelters Assisted
3. Percent of persons Assisted That Achieve Incomes above Poverty Level

Strategy 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.

Efficiency Measures
1. Average Agency Administrative Cost per person Assisted

Explanatory Measures
1. Total Number of Emergency Shelters
2. Total Number of persons in Poverty

Output Measures

1. Number of persons Assisted through Homeless and Poverty-related Funds
2. Number of persons Assisted That Achieve Incomes above Poverty Level
3. Number of Shelters Assisted

Objective 2.
To reduce cost of home energy for 6 percent of very low income households each year at or below 125 percent of poverty

Outcome 1.
Percent of Very Low Income Households Receiving Energy Assistance

Strategy 1.
Administer state energy assistance programs by providing grants to local organizations for energy related improvements to dwellings occupied by very low income persons and general assistance to very low income households for heating and cooling expenses and energy-related emergencies.

Efficiency Measures
1. Average Cost per Household Served
2. Average Cost per Home Weatherized

Explanatory Measures
1. Number of Very Low Income Households Eligible for Energy Assistance

Output Measures
1. Number of Households Assisted through the Comprehensive Energy Assistance Program
2. Number of Dwelling Units Weatherized by the Department

Goal 4.
Ensure compliance with Department of Housing and Community Affairs federal and state program mandates.

Objective 1.
Administer and monitor housing developments and subrecipient contracts to determine compliance with federal and state program requirements.

Outcome Measures
1. Percent of Multifamily and/or Single Family Rental Properties Monitored Annually
2. Percent of Contracts Administered Annually by the PMC Division
3. Percent of Properties Monitored by the PMC Division that are in Material Non-compliance

Strategy 1.
Monitor and inspect for federal and state housing program requirements.

Efficiency Measures
1. Average Cost to Monitor a Rental Property

Explanatory Measures
1. Total Number of Developments in the Compliance Monitoring Portfolio
2. Total Number of Units Administered

Output Measures
1. Total Number of Monitoring Reviews Conducted
2. Total Number of Desk Reviews Conducted
3. Total Number of Onsite Reviews Conducted
4. Total Number of Information and Technical Assistance Requests Completed
5. Total Number of Application-related Instruments Processed

Strategy 2.
Administer and monitor federal and state subrecipient contracts for programmatic and fiscal requirements.

Efficiency Measures
1. Average Cost to Monitor a Contract

Explanatory Measures
1. Number of Contracts Administered

Output Measures
1. Total Number of Monitoring Reviews Conducted
2. Number of Single Audit Reviews Conducted
3. Total Number of Desk Reviews Conducted
4. Total Number of Onsite Reviews Conducted
5. Total Number of Information and Technical Assistance Requests Completed

Goal 5.
Protect the public by regulating the manufactured housing industry in accordance with state and federal laws.

Objective 1.
Operate a regulatory system to ensure responsive handling of Statement of Ownership and Location and license applications, inspection reports, and complaints as follows: 25 percent installation inspections; 97 percent of applications within established timeframes; and 99 percent of consumer complaint inspections within 30 calendar days of a request.

Outcome Measures
1. Percent of Applications Processed within Established Time Frames
2. Percent of Consumer Complaint Inspections Conducted within 30 Days of Request
3. Percent of Complaints Resulting in Disciplinary Action
4. Percent of Documented Complaints Resolved within Six Months
5. Recidivism Rate for Those Receiving Disciplinary Action

Strategy 1.
Provide services for Statement of Ownership and Location and licensing in a timely and efficient manner.

Efficiency Measures
1. Average Cost per Manufactured Housing Statement of Ownership and Location Issued

Explanatory Measures

1. Number of Manufactured Homes of Record in Texas

Output Measures
1. Number of Manufactured Housing Statements of Ownership and Location Issued
2. Number of Licenses Issued

Strategy 2.
Conduct inspections of manufactured homes in a timely and efficient manner.

Efficiency Measures
1. Average Cost per Inspection

Explanatory Measures
1. Number of Installation Reports Received
2. Number of Installation Inspections with Deviations

Output Measures
1. Number of Routine Installation Inspections Conducted
2. Number of Non-routine Inspections Conducted

Strategy 3.
Process consumer complaints, conduct investigations, and take administrative actions to protect general public and consumers.

Efficiency Measures
1. Average Cost per Complaint Resolved
2. Average Time for Complaint Resolution (Days)

Explanatory Measures
1. Number of Jurisdictional Complaints Received

Output Measures
1. Number of Complaints Resolved

Strategy 4.
Provide for the processing of occupational licenses, registrations, or permit fees through TexasOnline. Estimated and nontransferable.

Goal 6.
Indirect administrative and support costs.

Objective 1.
Indirect administrative and support costs.

Strategies
1. Central administration.
2. Information resource technologies.
3. Operating/support.

TECHNOLOGY INITIATIVE ALIGNMENT

"Technology Initiative Alignment" is the strategic alignment of technology initiatives with agency business needs and priorities. This alignment promotes collaboration between the agency's business and IT leaders, and promotes innovative technology solutions that enable the agency to achieve its objectives. The agency's governance structure guides the creation of technology initiatives to ensure that these initiatives align with the agency's business needs and priorities. Additionally, strategically aligning agency technology initiatives with the statewide technology objectives in the State Strategic Plan (The Texas Transformation) drives economies of scale, increases interoperability among the state's information systems, and promotes interagency collaboration.

TDHCA TECHNOLOGY INITIATIVE ALIGNMENT

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RE-LATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCH-MARKING
Improve security policies and practices.	All goals/objectives.	3-1	Planned	Decreases the risk of unintended access to agency information.	Benchmarking: TDHCA will use online DIR IT Security and National Institute of Standards and Technology resources.
Maintain, upgrade, secure, and enhance TDHCA's programmatic and financial systems for managing loans and grants.	Goal/Objective 1-1. Increase Availability of Safe/Decent/Affordable Housing – Make Loans/Grants/Incentives to Fund/Develop/Preserve Housing	3-1 4-2 5-1	Current	Ensures that agency systems for managing loans and grants are in alignment with changing business processes, financial transactions are securely exchanged with the Comptroller's Office and other organizations, and program participants have the ability to report to TDHCA online.	
Redesign TDHCA Web site to provide customers easier access to information.	Goal/Objective 2-1. Provide Information and Assistance – Provide Information and Assistance for Housing and Community Services	4-1 5-1	Current	Provides visitors easier access to information by asking them to select a customer type.	Benchmarking: TDHCA conducted a review of Web sites of other housing finance agencies, Texas state agencies, and businesses.
Host and maintain the Texas Interagency Council for the Homeless Web site.	Goal/Objective 3-1. Improve Poor/Homeless Living Conditions & Reduce VLI Energy Costs – Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year	4-4	Current	Assists the council in fulfilling major functions, including helping coordinate the delivery of services for the homeless in Texas and maintaining a central resource and information center for the homeless.	
Maintain, upgrade, secure, and enhance TDHCA's monitoring systems.	Goal/Objective 4-1. Ensure Compliance with Program Mandates – Monitor	3-1 5-1	Current	Reduces paper processing through online reporting by	

TDHCA TECHNOLOGY INITIATIVE ALIGNMENT					
TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RE-LATED SSP STRATEGY/ (IES)	STATUS	ANTICIPATED BENEFIT(S)	INNOVATION, BEST PRACTICE, BENCH-MARKING
	Developments & Subrecipient Contracts for Compliance			property managers; increases efficiency through an enterprise architecture in which common data elements are shared with other agency systems.	
Deploy a new Manufactured Housing System that supports all major MH business functions and provides customers with the ability to retrieve MH information and submit forms and associated payments online.	Goal/Objective 5-1. Regulate Manufactured Housing Industry – Operate a Regulatory System To Ensure Responsive SOL/Licensing/Other	1-3 4-1 5-1	Current	Provides MH customers with increased access and flexibility; reduces data entry required by MH staff.	Best Practice: Use of Texas Online for all online payments.

APPENDIX A. DESCRIPTION OF TDHCA'S PLANNING PROCESS

TDHCA's planning process involves a comprehensive approach that includes cooperation, assessment, analysis, and public input. The agency's planning process is used for activities such as developing or revising a rule, creating required state or federal reporting documents, and establishing long-term planning documents. This process centers around forming agency policies and programs on the basis of reliable data, staff expertise, and informed public input from consumers, advocates, housing providers, and legislative members.

In general, the planning process involves the following steps:

1. review of legislative and/or regulatory requirements,
2. development of a timeline,
3. data collection
4. analysis and policy development,
5. legal and executive review,
6. public comment acceptance and response
7. board review and approval (if appropriate), and
8. implementation.

The development of policy for a planning document is used as an example in the following discussion. The planning process begins with the review of the legislative and/or regulatory requirements by legal staff and the appropriate divisional staff. After the requirements are determined, divisional staff will establish a timeline for the planning process through implementation.

A focused effort is made to collect information required to develop the draft policy. Appropriate staff is consulted for their expertise and to request any required supporting TDHCA data. A round table discussion with members of the public may be held to insure that a variety of viewpoints on the relevant issues are obtained. Relevant demographic, economic, and subjective data is also typically assembled from outside sources. This data is obtained from a wide variety of appropriate sources, such as the US Census, Texas State Data Center, Real Estate Center, surveys, and interviews.

The assembled data are then analyzed and used to develop preliminary policies to address the identified need. These policies are developed to be consistent with the goals, objectives, and performance measures as outlined in the TDHCA Plan and reported to the LBB and the Governor's Office of Budget, Planning, and Policy. After the draft policy has been developed, a document is drafted to communicate it to all stakeholders. The draft is then reviewed by legal and executive staff, and is also approved by the TDHCA Board. Any outstanding issues are resolved, and the document (or a summary of the document) is published in the *Texas Register* for public comment. Announcements about the document and the public comment period are also sent out over the agency's list serve and by any legislatively required means.

While quantifying the housing needs of Texas is vital to the TDHCA planning process, it is also essential to reconcile the data with local needs to establish regional priorities. Because of this, the next phase of planning revolves around dialogue with consumers and interested parties. All data and resulting conclusions are made available to the public followed by public comment periods and public hearings.

In addition to the many special topic hearings held each year, TDHCA holds a set of consolidated public hearings annually (Consolidated Hearings) to cover all aspects of the Department's services and the provision of those services. The Consolidated Hearings are held throughout the state in cities selected to reach all regions of Texas. The hearings ensure that TDHCA customers have direct contact with agency staff. The discussions at the public hearings focus on the state's affordable housing and community service needs, agency programs, and agency policies as outlined in the draft *State of Texas Low Income Housing Plan and Annual Report* and the *State of Texas Consolidated Plan*.

TDHCA strongly encourages public involvement in the agency's policy development process. In addition to public hearings, written comment is accepted by mail and e-mail during the public comment periods. At the close of the public comment period, public input is reviewed and reasoned responses are developed. All public comment, both written comment and the hearing transcripts, is published on the agency website with the reasoned responses.

After all information is compiled, policies developed, and public comment is taken, the planning document is finalized. General agency policies are outlined in the *State of Texas Low Income Housing Plan*. Individual programs may have specific documents that govern their activities (i.e., the Qualified Allocation Plan for the HTC Program).

Where required by statute or the Board, documents are brought before the Department's Board for approval. The Department's Board meets once a month to review funding and policy recommendations and reports. All department policies are brought before the Board and are open for public comment at the meeting. The final document is posted for public review seven days before the meeting. Action is taken on the item by the Board. If approved, the policy will be implemented.

For the programs that are competitive and open to various nonprofit and for-profit entities, the Department holds application and implementation workshops. These workshops are used to inform program customers of the services available from TDHCA, as well as train organizations on the implementation of the programs for which they have successfully applied. These workshops present the public the opportunity to address program policies.

In addition to the planning process for rules, policies, and reports, TDHCA also has additional tools it uses for agency planning. One tool used is performance measurement. Performance measurement allows the agency to review its effectiveness. Agency and program effectiveness feeds into the strategic planning process by showing goals that have been met and by showing areas that need additional attention.

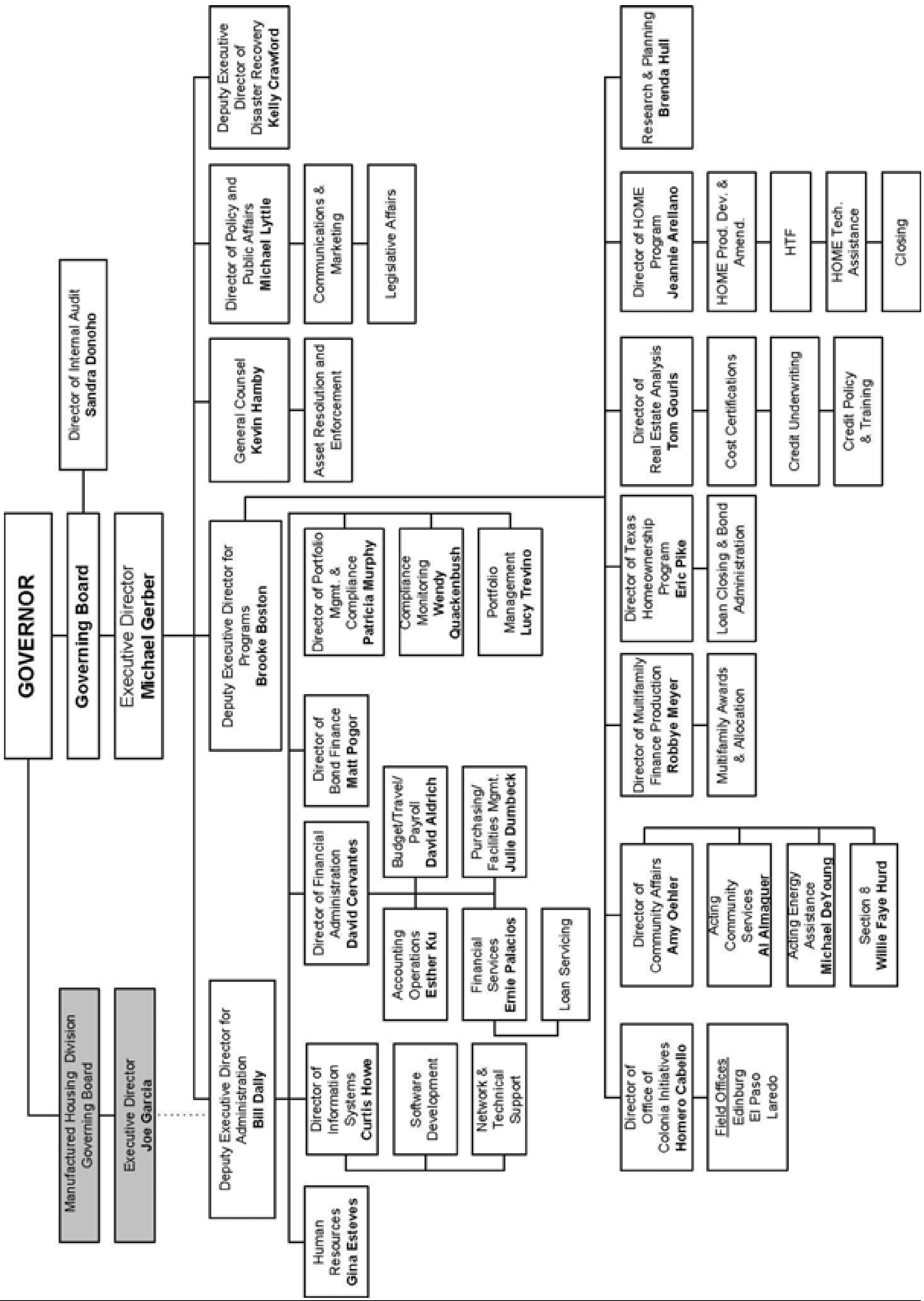
TDHCA also uses the Legislative Appropriations Request as a planning component. Funding by agency strategy allows the agency to express the priorities of the strategic plan in financial terms. Strategies, which are ways to accomplish key objectives, become the basic building blocks for the budgeting and expenditure of state funds. Objectives, strategies, and measures funded in the LAR relate specifically to the primary functions or areas of the agency.

TDHCA has recently implemented a new Strategic Planning Steering Committee (the Committee). The Committee is comprised of senior level staff with experience and expertise in all aspects of the programs and policies of the Department. The goal of the Committee is to provide the Executive team of the Department with recommendations regarding agency-wide short- and long-term planning and policy making decisions. The Committee will also assist in helping to ensure consistency and accuracy in the Department's planning and policy documents. The Committee has been very involved in the development of the 2010-2011 Legislative Appropriations Request, including detailed review of proposed budget structure changes, exceptional items, rider changes, performance measure targets and strategy level budget development. The Committee will continue to review and make recommendations throughout the upcoming planning process including the development of the *State of Texas Consolidated Plan* and the *State of Texas Low Income Housing Plan and Annual Report.*

Finally, TDHCA uses enterprise risk management as part of the agency's planning process. Risk management identifies and measures critical operational, strategic, and environmental risks. The process involves the following steps: identify key processes, identify risks that threaten key processes, rate severity and probability of each risk, and decide what internal controls can be used to avoid/reduce risk. The results of this assessment are then used to implement risk mitigation. This activity is an important component of strategic planning because it helps to clarify the agency's key processes and ensure that they are successfully maintained.

TDHCA continues to work toward a comprehensive approach to planning, focusing on its missions, goals, and objectives, and establishing meaningful performance measures to report its progress toward those goals and objectives.

APPENDIX B. CURRENT ORGANIZATIONAL CHART



APPENDIX C. FIVE-YEAR PROJECTIONS FOR OUTCOMES

Key Outcome Measures are shown in bold.

1 Increase Availability of Safe/Decent/Affordable Housing	2008	2009	2010	2011	2012	2013
1 Make Loans/Grants/Incentives to Fund/Develop/Preserve Housing						
% of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Assistance	0.74%	0.74%	0.72%	0.71%	0.71%	0.71%
% of Households/Individuals of Very Low Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Assistance	0.26%	0.25%	0.26%	0.26%	0.26%	0.26%
% of Households/Individuals of Low Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Assistance	2.43%	2.39%	2.36%	2.35%	2.35%	2.35%
% of Households/Individuals of Moderate Income Needing Affordable Housing that Subsequently Receive Housing or Housing-Related Assistance	0.16%	0.13%	0.11%	0.11%	0.11%	0.11%
% of Multi-family Rental Units Benefiting Very Low, Low and Moderate Income Households	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Single Family Finance Division Funding for Affordable Housing Assistance that Is Allocated Within Established Time Frames	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Multifamily Finance Division Funding for Affordable Housing Assistance that Is Allocated Within Established Time Frames	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2 Provide Information and Technical Assistance						
1 Provide Info & Technical Assistance for Housing and Community Services						
% of Short Term and Long Term Information and Technical Assistance Requests Fulfilled Within Established Time Frames	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3 Improve Poor/Homeless Living Conditions & Reduce VLI Energy Costs						
1 Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year						
% of Persons in Poverty that Received Homeless and Poverty-related Assistance	12.35%	12.38%	12.35%	12.35%	12.35%	12.35%
% of Emergency Shelters Assisted	8.34%	8.23%	8.23%	8.23%	8.23%	8.23%
% of Persons Assisted that Achieve Incomes above Poverty Level	0.08%	0.07%	0.07%	0.07%	0.07%	0.07%
2 Reduce Cost of Home Energy for 6% of Very Low Income Households						
% of Very Low Income Households Receiving Energy Assistance	4.12%	4.11%	3.85%	3.85%	3.85%	3.85%
4 Ensure Compliance with Program Mandates						
1 Monitor Developments and Subrecipient Contracts for Compliance						
% of Multifamily and/or Single Family Rental Properties Monitored Annually	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Contracts Administered Annually by the PMC Division	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Properties Monitored by the PMC Division that Are in Material Non-compliance	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

5 Regulate Manufactured Housing Industry	2008	2009	2010	2011	2012	2013
1 Operate a Regulatory System Ensure Responsive SOL/Licensing/Other						
% of Applications Processed within Established Time Frames	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Consumer Complaint Inspections Conducted within 30 Days of Request	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Complaints Resulting in Disciplinary Action	15.00%	15.00%	20.00%	20.00%	20.00%	20.00%
% of Documented Complaints Resolved within Six Months	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Recidivism Rate for those Receiving Disciplinary Action	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

APPENDIX D. LIST OF MEASURE DEFINITIONS

OUTCOME MEASURE DEFINITIONS

1.1.1 Outcome

Definition: The percentage of households/individuals of very low, low, and moderate income that need housing and subsequently receive housing or housing related assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the HTC program, the Single Family Bond program, and the MFB program.

Data Limitations: The Department contracts with local entities to administer it's various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

Data Source: The number of households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

Methodology: The percent of households assisted is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of Texans who need affordable housing.

Purpose: This measure addresses the extent to which services are provided by all housing programs and calculates the level of service compared to the need. This measure is important because it identifies the total population in need and of that population identifies how many households/individuals the housing programs were able to serve.

1.1.2 Outcome

Definition: The percentage of very low income households receiving housing assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the HTC program, the Single Family Bond program, and the MFB program.

Data Limitations: The Department contracts with local entities to administer it's various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

Data Source: The number of very low income households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

Methodology: The percent of households of very low income served with housing or housing related assistance is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of very low income Texans who need affordable housing.

Purpose: The measure addresses the extent to which services are provided by all housing programs for very low income and calculates the level of service provided to the very low income population.

1.1.3 Outcome

Definition: The percentage of low income households receiving housing assistance represents services provided by the Housing Trust program, the HOME program, the Section 8 program, the HTC program, the Single Family Bond program, and the MFB program.

Data Limitations: The Department contracts with local entities to administer it's various housing programs. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the contracted entity. Reported performance is considered reliable.

Data Source: The number of low income households served is maintained by each housing program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.

Methodology: The percent of households of low income served with housing or housing related assistance is based on: (numerator) an actual count of households/individuals using TDHCA's housing programs and (denominator) the most recent census data of low income Texans who need affordable housing.

Purpose: The measure addresses the extent to which services are provided by all housing programs for low income and calculates the level of service provided to the low income population. This measure is important because it identifies, of the number of low income, how many low income households/individuals the housing programs were able to serve.

1.1.4 Outcome

Definition: The percentage of moderate income households receiving housing assistance represents services provided by the Single Family Bond program.

Data Limitations: The Department contracts with a Master Servicer to maintain data of households served. The intake, eligibility review and actual service is provided at the local level. The reporting of households served is provided by the Master Servicer. Reported performance is considered reliable.

Data Source: The number of moderate income households served is maintained by the Single Family Bond program and reported quarterly. Data is provided by the Master Servicer, entered by staff and maintained in the agency's computer system.

Methodology: The percent of households of moderate income served with housing or housing related assistance is based on: (numerator) an actual count of moderate income households/individuals using TDHCA's housing programs and (denominator) the most recent census data of moderate income Texans who need affordable housing.

Purpose: The measure addresses the extent to which services are provided by the Single Family Bond program, which is the only housing program serving the moderate income population. This measure is important because it identifies, of the number of moderate income, how many moderate income households/individuals the Single Family Bond program was able to serve.

1.1.5 Outcome

Definition: Under the multifamily bond programs, developers/borrowers can designate either 20% of the units in each property at 50% area median family income or 40% of the units at 60% area median family income. It is not possible to determine on a projection basis the overall percentage of units within these categories that will be financed in a given year.
Data Limitations: The number of units available for very low and low income households is reported by the project developer. Performance depends on the allocation of volume cap by state lottery conducted by the Texas Bond Review Board.
Data Source: The number of very low and low income households served is maintained by the MFB program and reported quarterly. Data is entered by staff and maintained in the agency's computer system.
Methodology: To calculate the percentage of units financed at the end of the year for any category, divide the number of total units within each category by the number of total units financed.
Purpose: The measure addresses the number of units in a development that have been designated for very low and low income families. This measure is important because it measures how effectively the MFB program has been in providing rental units to very low and low income households/individuals.

1.1.6 Outcome
Definition: This measure tracks the percentage of funds allocated by the single family finance division within established time frames.
Data Limitations: No limitations.
Data Source: The allocation of funds is tracked by the division for each separate program. Data is entered by staff and maintained in the agency’s computer system.
Methodology: The percent of funds allocated on time will be based on (numerator) total funds to be allocated by the deadline established for each program and (denominator) the total amount of funds allocated.
Purpose: To ensure that the agency is distributing housing funds from several sources in a timely manner.

1.1.7 Outcome
Definition: This measure that tracks the percentage of funds allocated by the multifamily finance division within established time frames.
Data Limitations: No limitations
Data Source: The allocation of funds is tracked by the division for each separate program. Data is entered by staff and maintained in the agency’s computer system.
Methodology: The percent of funds allocated on time will be based on (numerator) total funds allocated by the deadline established for each program and (denominator) the total amount of funds allocated.
Purpose: To ensure that the agency is distributing housing funds from several sources in a timely manner.

2.1.1 Outcome

Definition: This measure tracks the percentage of information and technical assistance requests completed within established time frames by the Center for Housing Research, Planning, and Communications.

Data Limitations: No limitations

Data Source: The receipt and response to requests is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The percent of requests completed on time will be based on (numerator) total requests completed by the deadline established and (denominator) the total amount of requests completed.

Purpose: To ensure that the Department is responding to consumer information and technical assistance requests in a timely manner.

3.1.1 Outcome

Definition: The percentage of very low income persons (persons at or below 125% of poverty) receiving assistance divided by the total number of persons at or below 125% of poverty in Texas. Information on the number of persons assisted is submitted to the Department by subrecipients.

Data Limitations: No limitations of data.

Data Source: The percent of very low income persons (at or below 125% of poverty) that received assistance through all Community Services programs as reported in the monthly performance reports submitted to the Department by subrecipients. Subrecipients track the data manually on a daily basis and submit it to the Department in a monthly performance report.

Methodology: Based on the monthly performance reports submitted by subrecipients, the Department determines the percent of very low income persons served by dividing the total number of low income persons (at or below 125% of poverty) by the total number of persons at or below 125% of poverty in Texas: 4,172,890 as per 2000 US Census. Monthly performance information is entered in the Department's database and maintained by the Department.

Purpose: The measure identifies the percent of the very low income population (persons at or below 125% of poverty) assisted by Community Services programs. This measure is important because it identifies the impact Community Services programs have had on the target population.

3.1.2 Outcome

Definition: The percent of emergency shelters assisted is based on the number of shelters/service providers assisted through ESGP funds during the fiscal year. Each project funded through ESGP subrecipients is counted as a shelter assisted.

Data Limitations: No limitations of data.

Data Source: The total number of shelters is determined by counting the number of shelters/services providers included in the ESGP mailing list maintained by the Community Services section. The Department counts each project funded through ESGP subrecipients as a shelter assisted. The Department tracks this information from contract records.

Methodology: The percent of emergency shelters assisted is based on the number of shelters/service providers assisted through ESGP funds during the fiscal year divided by the number of homeless shelters/service providers that exist in Texas.
Purpose: The measure identifies the percent of all homeless shelters/service providers in Texas that receive assistance in a fiscal year. This measure is important because it indicates how effective the program has been in providing assistance to emergency shelters in the State.

3.1.3 Outcome
Definition: The percent of persons assisted in the CSBG program that achieve incomes above 125% of poverty is the number of persons assisted that achieve incomes above 125% of poverty, and maintain that income level for a minimum of 90 days, divided by the total number of persons at or below 125% of poverty in Texas.
Data Limitations: No limitations.
Data Source: Subrecipients report this information in their monthly performance report The data is entered on the Department's database and maintained by the Department.
Methodology: The percentage of very low income persons (persons at or below 125% of poverty) maintaining that level of income for a minimum of 90 days divided by the total number of persons at or below 125% of poverty in Texas (4,172,890). Information on the number of persons assisted is submitted to the Department by subrecipients.
Purpose: Subrecipients are required to track the number of persons assisted that achieve incomes above 125% of poverty as a result of efforts by the subrecipients.

3.2.1 Outcome
Definition: The percentage of very low income households receiving energy assistance represents all Energy Assistance programs. Information on the number of households assisted is submitted to the Department by subrecipients.
Data Limitations: No limitations of data.
Data Source: The percent of very low income households that received energy assistance through all Energy Assistance programs is based on data reported in the Monthly Funding Financial Performance Reports and the Progress Expenditure/Monthly Fund Request Reports. According to the publication entitled "LIHEAP Home Energy Notebook for Fiscal Year 2001", issued April 7, 2003 to LIHEAP grantees by the Office of Community Services of the US Department of Health and Human Services, the number of income-eligible households for Texas is 1,324,059.
Methodology: The data is entered in an automated system and maintained by the Department. The percent of very low income households receiving energy assistance is calculated by dividing the number of very low income households receiving CEAP or WAP assistance by the most current census data representing the number of households at or below 125% of poverty in Texas (1,324,059 income-eligible households).
Purpose: The measure identifies the percent of the very low income population assisted by Energy Assistance programs. This measure indicates how effectively the Department has provided energy related services to the target population and the impact of the programs statewide.

4.1.1 Outcome

Definition: Measure represents the percentage of HTC (HTC), Affordable Housing Disposition, HOME, Tax-Exempt Bond, HTF, and other affordable housing rental projects monitored annually through on-site, in-depth, or desk reviews of tenant files. Onsite reviews also include a property and unit inspection.

Data Limitations: No limitations of data.

Data Source: Projects are monitored through on-site, in-depth, or desk reviews. Data is gathered from Departmental databases.

Methodology: The percent is derived by dividing the actual number of rental projects monitored by the total number of rental projects required to be monitored in the TDHCA Compliance portfolio.

Purpose: The Compliance section was formed to address long term compliance responsibilities of the various housing programs administered by TDHCA. The measure is important because it identifies the percent of projects monitored. Each program dictates the frequency and type of monitoring.

4.1.2 Outcome

Definition: The percent of contracts administered by PMC. Administration means ongoing contract administration activities and/or compliance monitoring reviews.

Data Limitations: No limitations

Data Source: Contracts are tracked through Department databases.

Methodology: The percent is derived by dividing the actual number of contracts administered by the number of contracts required to be administered in the contract portfolio.

Purpose: This measure identifies the percentage of contracts administered by PMC.

4.1.3 Outcome

Definition: Measure represents the percentage of HTC (HTC), Affordable Housing Disposition, HOME, Tax-Exempt Bond, HTF, and other affordable housing rental developments monitored that are determined to be in material non-compliance. Material non-compliance is identified through on-site monitoring reviews and in-depth desk reviews.

Data Limitations: No limitations.

Data Source: Information is tracked in Departmental databases.

Methodology: The percent is derived by dividing the total number of rental developments in material non-compliance by the number of rental developments monitored.

Purpose: This measure will report the developments that are in "material non-compliance" status.

5.1.1 Outcome

Definition: The percentage of Statement of Ownership & Location (SOL) and License applications processed within established time frames as opposed to those that are not.

Data Limitations: No limitations of data.

Data Source: Both the Statement of Ownership & Location and Licensing functional areas of the Manufactured Housing Division review a random selection of 25 or more applications (per month) within a reporting period.

Methodology: To obtain the percentage, divide the number of applications that are processed within the required time frame by the total number reviewed by random selection. The percentage is attained by combining the results of the SOL and Licensing functional areas. Information is manually prepared.

Purpose: Applications are processed within established time frames. The time frame for SOL applications is 10 working days; the time frame for Licensing applications is 7 working days. The importance is to measure the ability of the agency to process applications in a timely manner.

5.1.2 Outcome

Definition: The percentage of consumer complaint inspections conducted within 30 days is based on the number of consumer and industry requested inspections completed within 30 calendar days from the date that an inspection is requested.

Data Limitations: No limitations of data.

Data Source: Information is maintained in the Consumer Complaint Tracking System (CCTS).

Methodology: To obtain the percentage, divide the total number of inspections conducted within the required 30 calendar days by the total number of required inspections conducted within the reporting period.

Purpose: Consumer complaints must be addressed as required by the Act. The importance is to measure the ability of the agency to conduct consumer complaint inspections in a timely manner and to comply with the requirements set forth in the Act.

5.1.3 Outcome

Definition: The percentage of complaints that result in disciplinary action, including agreed orders, reprimands, warnings, suspensions, probation, revocation, restitution and/or penalties on which the board or executive director has acted when violations cannot be resolved informally.

Data Limitations: No limitations of data.

Data Source: Information is maintained in the Consumer Complaint Tracking System (CCTS).

Methodology: To obtain the percentage, divide the number of closed complaints with a disciplinary action by the total number of jurisdictional complaints closed.

Purpose: Efforts are made to informally resolve complaints. Violations of manufactured housing standards that cannot be resolved result in disciplinary actions. It is important that the consumers and the manufactured housing industry have an expectation that the agency will ensure fair and effective enforcement of the Act.

5.1.4 Outcome

Definition: The percentage of complaints resolved within a period of 6 months (183 days) or less from the date of receipt as opposed to complaints which take longer than six months to resolve.

Data Limitations: No limitations of data.

Data Source: Information is maintained in the Consumer Complaint Tracking System (CCTS).

Methodology: The number of jurisdictional complaints resolved within a period of six months (183 days) or less from the date of receipt divided by the total number of jurisdictional complaints resolved.

Purpose: Of the number of complaints resolved, the measure identifies those complaints that have been resolved within six months. It is important to ensure the timely enforcement of the Act, which is an agency goal.

5.1.5 Outcome

Definition: The recidivism rate for those receiving disciplinary action is the percentage of offenders who were repeat offenders during the most recent three-year period. A repeat offender is an individual or license holder with two or more disciplinary actions taken by the executive director or board within the current and preceding two fiscal years.

Data Limitations: No limitations of data.

Data Source: Information is maintained in the Consumer Complaint Tracking System (CCTS).

Methodology: To obtain the percentage, calculate the number of individuals or license holders against whom two or more disciplinary actions were taken by the executive director or board within the current and preceding two fiscal years divided by the total number of individuals or license holders receiving disciplinary actions within the current and preceding two fiscal years.

Purpose: The measure is intended to show how effectively the agency enforces its regulatory requirements and prohibitions. It is important that the agency enforce its act and rules strictly enough to ensure that consumers are protected from unsafe, incompetent and unethical practices by the license holder.

OUTCOME, EFFICIENCY, AND EXPLANATORY MEASURE DEFINITIONS

1.1.1.1 Efficiency

Definition: A measure that tracks the average First Time Homebuyer Program loan without down payment assistance amount per household assisted.

Data Limitations: No limitations

Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The total amount of the loans will be summed and divided by the corresponding number of households.

Purpose: This measure identifies the costs and efficiency of loans without down payment assistance made through the First Time Homebuyer Program.

1.1.1.2 Efficiency
Definition: A measure that tracks the average First Time Homebuyer loan with down payment assistance per household assisted.
Data Limitations: No limitations
Data Source: The number and amounts of the loans are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of loans will be summed and divided by the corresponding number of loans.
Purpose: This measure identifies the costs and efficiency of loans with down payment assistance made through the First Time Homebuyer Program.

1.1.1.3 Efficiency
Definition: A measure that tracks the average amount of loans/grants for new construction utilizing single family bond funds.
Data Limitations: No limitations
Data Source: The numbers and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of loans/grants for new construction utilizing single family bond funds will be summed and divided by the projected number of households assisted through new construction utilizing single family bond funds.
Purpose: This measure identifies the costs associated with new construction utilizing single family bond funds.

1.1.1.4 Efficiency
Definition: A measure that tracks the average amount of loans/grants for rehabilitation utilizing single family bond funds.
Data Limitations: No limitations
Data Source: The numbers and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of loans/grants for rehabilitation utilizing single family bond funds will be summed and divided by the projected number of households assisted through rehabilitation utilizing single family bond funds.
Purpose: This measure identifies the costs associated with rehabilitation utilizing single family bond funds.

1.1.1.5 Efficiency
Definition: A measure that tracks the average Mortgage Credit Certificate (MCC) amount.
Data Limitations: There are no data limitations.
Data Source: The numbers and amounts of the MCCs are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of the MCCs will be summed and divided by the number of MCCs.
Purpose: This measure identifies the cost and efficiency of MCCs.

1.1.1.1 Explanatory

Definition: A measure that tracks the number of households receiving loans without down payment assistance through the First Time Homebuyer Program.

Data Limitations: No Limitations

Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The number will be a count of loans without down payment assistance funded through the First Time Homebuyer Program.

Purpose: To track the amount households receiving loans without down payment assistance through the First Time Homebuyer Program.

1.1.1.2 Explanatory

Definition: A measure that tracks the number of households receiving loans with down payment assistance through the First Time Homebuyer Program.

Data Limitations: No limitations

Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The number will be a count of loans with down payment assistance funded through the First Time Homebuyer Program. Performance is measured when loans are funded.

Purpose: To track the number of households receiving loans with down payment assistance through the First Time Homebuyer Program.

1.1.1.3 Explanatory

Definition: A measure that tracks the projected number of households assisted utilizing single family bond program funds for new construction.

Data Limitations: No limitations

Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The number will be a count of projected households assisted through new construction utilizing single family bond funds. Performance is measured when loans are funded.

Purpose: To track the amount of households assisted through new construction activities utilizing single family bond funds.

1.1.1.4 Explanatory

Definition: A measure that tracks the projected number of households assisted through rehabilitation utilizing single family bond funds.

Data Limitations: No limitations

Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The number will be a count of projected households assisted through rehabilitation utilizing single family bond funds. Performance is measured when loans are funded.
Purpose: To track the number of households assisted through rehabilitation activities utilizing single family bond funds.

1.1.1.5 Explanatory
Definition: A measure that tracks the number of Mortgage Credit Certificates (MCCs).
Data Limitations: There are no data limitations.
Data Source: The number of MCCs is tracked by the Single Family Finance Production Division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of the issued MCCs.
Purpose: This measure identifies the number of households receiving MCCs.

1.1.1.1 Output
Definition: A measure that tracks the projected number of households assisted with single family mortgage revenue bond funds.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through the single family bond funds. Performance is measured when loans are funded.
Purpose: To track the total number of households assisted with single family mortgage revenue bond funds.

1.1.2.1 Efficiency
Definition: A measure that tracks the average amount per unit of single family HOME grants for new construction.
Data Limitations: No limitations
Data Source: The number and amounts of the grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of new construction activities utilizing HOME funds will be totaled and divided by the projected number of units assisted through new construction utilizing HOME funds.
Purpose: This measure identifies the costs associated with new construction activities utilizing HOME funds.

1.1.2.2 Efficiency
Definition: A measure that tracks the average amount per household of loans/grants for rehabilitation utilizing single family HOME funds.
Data Limitations: No limitations
Data Source: The numbers and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The total dollar amount of rehabilitation utilizing HOME funds will be summed and divided by the projected number of households assisted through rehabilitation utilizing HOME funds.
Purpose: This measure identifies the costs associated with rehabilitation utilizing HOME funds.

1.1.2.3 Efficiency
Definition: A measure that tracks the average amount per household of mortgage financing and homebuyer assistance grants utilizing single family HOME CHDO funds.
Data Limitations: No limitations
Data Source: The amounts of the financing and grants and number of units are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of mortgage financing and homebuyer assistance funds awarded utilizing HOME CHDO funds will be summed and divided by the projected number of units assisted through financing and homebuyer assistance activities.
Purpose: This measure identifies the costs associated with financing affordable housing utilizing HOME CHDO funds.

1.1.2.4 Efficiency
Definition: A measure that tracks the average amount per household of homebuyer assistance loans and/or grants utilizing single family HOME non-CHDO funds.
Data Limitations: No limitations
Data Source: The number and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of homebuyer assistance loans/grants utilizing HOME non-CHDO funds will be summed and divided by the projected number of households assisted through homebuyer assistance activities.
Purpose: This measure identifies the costs associated with financing affordable housing and measures the efficiency of allocating HOME non-CHDO funds.

1.1.2.5 Efficiency
Definition: A measure that tracks the average amount per household of tenant based rental assistance utilizing HOME funds.
Data Limitations: No limitations
Data Source: The numbers and amounts are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of tenant based rental assistance utilizing HOME funds will be summed and divided by the projected number of households assisted through tenant based rental assistance utilizing HOME funds.
Purpose: This measure identifies the costs associated with tenant based rental assistance utilizing HOME funds.

1.1.2.1 Explanatory

Definition: A measure that tracks the projected number of households assisted utilizing single family HOME funds for new construction.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted utilizing HOME funds for new construction. Performance is measured when contracts are awarded.
Purpose: To track the number of households assisted utilizing HOME funds for new construction.

1.1.2.2 Explanatory
Definition: A measure that tracks the projected number of households assisted through single family HOME funds for rehabilitation.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HOME funds for rehabilitation. Performance is measured when contracts are awarded or loans are funded.
Purpose: To track the number of households assisted through HOME funds for rehabilitation.

1.1.2.3 Explanatory
Definition: A measure that tracks the projected number of households assisted through single family HOME CHDO funds for mortgage financing and homebuyer assistance.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HOME CHDO funds for mortgage financing and homebuyer assistance. Performance is measured when contracts are awarded.
Purpose: To track the number of households assisted through HOME CHDO funds for mortgage financing and homebuyer assistance.

1.1.2.4 Explanatory
Definition: A measure that tracks the projected number of households assisted through single family HOME non-Community Development Housing Organization (non-CHDO) funds for homebuyer assistance.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HOME non-CHDO funds for financing and homebuyer assistance. Performance is measured when contracts are awarded.

Purpose: To track the number of households assisted through HOME non-CHDO funds for homebuyer assistance.

1.1.2.5 Explanatory
Definition: A measure that tracks the projected number of households assisted through HOME tenant based rental assistance.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HOME tenant based rental assistance. Performance is measured when contracts are awarded.
Purpose: To track the number of households assisted through HOME tenant based rental assistance.

1.1.2.1 Output
Definition: A measure that tracks the projected number of households assisted through HOME funds in the single family finance division.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HOME funds. Performance is measured when contracts are awarded.
Purpose: To track the amount of households assisted through single family HOME funds.

1.1.3.1 Efficiency
Definition: A measure that tracks the average amount per unit of loans/grants for new construction utilizing the HTF.
Data Limitations: No limitations
Data Source: The numbers and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total dollar amount of loans/grants for new construction utilizing the HTF will be summed and divided by the projected number of households assisted through new construction utilizing the HTF.
Purpose: This measure identifies the costs associated with new construction utilizing the HTF.

1.1.3.2 Efficiency
Definition: A measure that tracks the average amount per unit of loans/grants for rehabilitation utilizing the HTF.
Data Limitations: No limitations
Data Source: The numbers and amounts of the loans/grants are tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: The total dollar amount of loans/grants for rehabilitation utilizing the HTF will be summed and divided by the projected number of households assisted through rehabilitation utilizing the HTF.
Purpose: This measure identifies the costs associated with rehabilitation utilizing the HTF.

1.1.3.1 Explanatory
Definition: A measure that tracks the projected number of households assisted through new construction utilizing the HTF.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through new construction utilizing the HTF. Performance is measured when loans are funded.
Purpose: To track the number of households assisted through new construction utilizing the HTF.

1.1.3.2 Explanatory
Definition: A measure that tracks the projected number of households assisted through rehabilitation utilizing the HTF.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through rehabilitation utilizing the HTF. Performance is measured when loans are funded.
Purpose: To track the number of households assisted through rehabilitation utilizing the HTF.

1.1.3.1 Output
Definition: A measure that tracks the projected number of households assisted through the HTF in the single family finance division.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through HTF funds. Performance is measured when loans are funded.
Purpose: To track the amount of households assisted through single family HTF funds.

1.1.4.1 Efficiency
Definition: The average cost per household served represents an average of the local operators payments and TDHCA administrative expenditures.
Data Limitations: No limitations
Data Source: Expenditures are tracked through the Department's financial automated system.

Methodology: The average cost per household served is the sum of local operators payments and TDHCA administrative expenditures divided by the total number of contracts executed and managed, i.e., total new and renewed contracts added to the number of contracts in place September 1.
Purpose: The measure identifies the efficiency in costs to provide Section 8 services to a very low income household.

1.1.4.1 Output
Definition: The number of very low income households receiving rent supplements represents the total number of households participating in the Section 8 certificate program and the Housing Choice Voucher program.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number will be a count of projected households assisted through Section 8 tenant based rental assistance. The performance figure reported for the first quarter represents the total number of households receiving Section 8 assistance as of September 1. Subsequent quarters report only new contracts executed for the reporting period.
Purpose: To track the amount of households assisted through Section 8 tenant based rental assistance.

1.1.5.1 Efficiency
Definition: A measure that tracks the projected average amount of credits per low income unit of new construction utilizing the HTC program.
Data Limitations: Federal regulations establish the amount of tax credits available.
Data Source: The projected number of low income units and amount of credits for new construction is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of total new construction tax credits awarded by the number of restricted units to be newly constructed. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.
Purpose: This measure identifies the subsidy associated with developing affordable housing units and measures the efficiency of allocating tax credits.

1.1.5.2 Efficiency
Definition: A measure that tracks the average total development costs per unit of new construction utilizing the HTC program.
Data Limitations: Information is based on preliminary estimates by the applicants.

Data Source: The projected total number of units in the development and total development costs for new construction is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: This figure will be calculated by dividing the sum of total new construction development costs by the number of restricted units to be newly constructed. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.

Purpose: This measure identifies the total development costs associated with developing affordable housing units. Although useful to track, this measure is outside of the Department's control.

1.1.5.3 Efficiency

Definition: A measure that tracks the projected average amount of credits per rehabilitated and acquired low income unit utilizing HTCs.

Data Limitations: Federal regulations establish the amount of tax credits available.

Data Source: The projected number of low income units and amount of credits for rehabilitation and acquisition is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: This figure will be calculated by dividing the sum of total annual rehabilitation tax credits awarded by the number of restricted units to be rehabilitated. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.

Purpose: This measure identifies the subsidy associated with rehabilitating and acquiring affordable housing and measures the efficiency of allocating tax credits.

1.1.5.4 Efficiency

Definition: A measure that tracks the average total development costs per rehabilitated and acquired unit utilizing HTCs.

Data Limitations: Information is based on preliminary estimates by the applicants.

Data Source: The total development costs and the projected total number of units in the development is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: This figure will be calculated by dividing the sum of total rehabilitation development costs by the number of restricted units to be rehabilitated. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to

accurately reflect any awards that will not actually be utilized do to problems with the transaction.
Purpose: This measure identifies the total development costs associated with rehabilitating and acquiring affordable housing.

1.1.5.1 Explanatory
Definition: A measure that tracks the projected number of low income new construction units assisted through the HTC program.
Data Limitations: Federal regulations establish the amount of tax credits available.
Data Source: The projected number of units is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all units to be newly constructed as proposed in awarded applications. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.
Purpose: To track the number of new construction units assisted through the HTC program.

1.1.5.2 Explanatory
Definition: A measure that tracks the projected number of low income rehabilitation and acquisition units assisted through the HTC program.
Data Limitations: Federal regulations establish the amount of tax credits available.
Data Source: The projected number of units is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all units to be rehabilitated as proposed in awarded applications. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.
Purpose: To track the number of rehabilitation and acquisition units assisted through the HTC program.

1.1.5.1 Output
Definition: A measure that tracks the projected number of low income units financed through the multifamily division utilizing HTCs.
Data Limitations: No limitations
Data Source: The number of units is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all units to be newly constructed or rehabilitated as proposed in awarded applications. This calculation will include both 9% and 4% Housing Tax Credit awards. 9% credit activity will be considered at the time the Board approves the award. 4% credit activity will be considered at the time the bond transaction

closes. At the close of the fiscal year, this data will be updated to accurately reflect any awards that will not actually be utilized do to problems with the transaction.
Purpose: To track the total amount of multifamily units assisted utilizing the HTC program.

1.1.6.1 Efficiency
Definition: A measure that tracks the projected average amount or loans/grants per low income unit of new construction utilizing HOME CHDO funds.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of funds utilized for new construction is tracked by the division. Data is entered by staff and maintained in the agency’s computer system.
Methodology: The total dollar amount of new construction assistance utilizing HOME CHDO funds will be summed and divided by the projected number of new construction low income units assisted utilizing HOME CHDO funds.
Purpose: This measure identifies the loan/grant amount associated with developing housing units and measures the efficiency of utilizing HOME CHDO funds.

1.1.6.2 Efficiency
Definition: A measure that tracks the projected average total development costs of HOME CHDO new construction.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs for new construction is tracked by the division. Data is entered by staff and maintained in the agency’s computer system.
Methodology: This measure will be calculated by dividing the sum of HOME CHDO new construction total development costs estimated in awarded applications by the corresponding number of restricted units to be newly constructed.
Purpose: This measure identifies the total development costs associated with developing affordable housing units.

1.1.6.3 Efficiency
Definition: A measure that tracks the projected average amount per low income unit of new construction utilizing HOME non-CHDO funds.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of funds utilized for new construction is tracked by the division. Data is entered by staff and maintained in the agency’s computer system.
Methodology: This figure will be calculated by dividing the amount of HOME Non-CHDO new construction funds awarded by the corresponding number of restricted units to be newly constructed.
Purpose: This measure identifies the loan/grant amount associated with developing affordable housing units and measures the efficiency of utilizing HOME non-CHDO funds.

1.1.6.4 Efficiency

Definition: A measure that tracks the average total development costs per unit of HOME non-CHDO new construction.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs for new construction is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of HOME Non-CHDO total development costs estimated in awarded applications by the corresponding number of restricted units to be newly constructed.
Purpose: This measure identifies the total development costs associated with developing affordable housing units.

1.1.6.5 Efficiency
Definition: A measure that tracks the projected average amount per low income unit of rehabilitation and acquisition utilizing HOME CHDO funds.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of funds utilized for rehabilitation and acquisition is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This measure will be calculated by dividing the amount of HOME CHDO rehabilitation/acquisition funds awarded by the corresponding number of units to be rehabilitated or acquired. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: This measure identifies the amount associated with the rehabilitation and acquisition of affordable housing units and measures the efficiency of utilizing HOME CHDO funds.

1.1.6.6 Efficiency
Definition: A measure that tracks the projected average total development costs of HOME CHDO rehabilitation and acquisition.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs for rehabilitation and acquisition is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This measure will be calculated by dividing the sum of HOME CHDO rehabilitation/acquisition total development costs estimated in awarded applications by the corresponding number of units to be rehabilitated or acquired. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: This measure identifies the total development costs associated with the rehabilitation and acquisition of affordable housing units.

1.1.6.7 Efficiency
Definition: A non-key measure that tracks the projected average amount per low income unit of rehabilitation and acquisition utilizing HOME non-CHDO funds.

Data Limitations: No limitations
Data Source: The projected number of low income units and amount of funds utilized for rehabilitation and acquisition is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This measure will be calculated by dividing the amount of HOME Non-CHDO rehabilitation/acquisition funds awarded by the corresponding number of units to be rehabilitated or acquired. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: This measure identifies the amount associated with the rehabilitation and acquisition of affordable housing units and measures the efficiency of utilizing HOME non-CHDO funds.

1.1.6.8 Efficiency
Definition: A measure that tracks the average total development costs per unit of HOME non-CHDO rehabilitation and acquisition.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs for rehabilitation and acquisition is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The total development costs of rehabilitation and acquisition assistance utilizing HOME non-CHDO funds will be summed and divided by the projected total number of rehabilitation and acquisition units.
Purpose: This measure identifies the total development costs associated with the rehabilitation and acquisition of affordable housing units.

1.1.6.1 Explanatory
Definition: A measure that tracks the projected number of households assisted utilizing multifamily HOME CHDO funds for new construction.
Data Limitations: No limitations
Data Source: The projected number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units awarded HOME CHDO funds for new construction activities. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: To track the number of households assisted utilizing HOME CHDO funds for new construction.

1.1.6.2 Explanatory
Definition: A measure that tracks the projected number of households assisted utilizing multifamily HOME non-CHDO (non-CHDO) funds for new construction.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: This figure will be calculated as the sum of all restricted units awarded HOME Non-CHDO funds for new construction activities.
Purpose: To track the number of households assisted through HOME non-CHDO funds for new construction.

1.1.6.3 Explanatory
Definition: A measure that tracks the projected number of households assisted utilizing multifamily HOME CHDO funds for rehabilitation and acquisition.
Data Limitations: No limitations
Data Source: The projected number of units is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units awarded HOME CHDO funds for rehabilitation or acquisition activities. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: To track the number of households assisted utilizing HOME CHDO funds for rehabilitation and acquisition.

1.1.6.4 Explanatory
Definition: A measure that tracks the projected number of households assisted utilizing multifamily HOME non-CHDO (non-CHDO) funds for rehabilitation and acquisition.
Data Limitations: No limitations
Data Source: The projected number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units awarded HOME Non-CHDO funds for rehabilitation or acquisition activities.
Purpose: To track the number of households assisted through HOME non-CHDO funds for rehabilitation and acquisition.

1.1.6.1 Output
Definition: A measure that tracks the projected number of households assisted through the multifamily division utilizing HOME funds.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units awarded HOME funds for rental development activities by the MF Division. This figure will not include CHDO Operating Grants or Predevelopment Loans.
Purpose: To track the total amount of multifamily units assisted utilizing HOME funds.

1.1.7.1 Efficiency
Definition: A measure that tracks the projected average loan/grant amount per low income unit of HTF (HTF) new construction.
Data Limitations: No limitations

Data Source: The projected number of low income units and amount of funds is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of all funds awarded for new rental development activities by the total number of estimated units as represented in applications to be newly constructed. This calculation may include wards for predevelopment loans, capacity building grants, and any other special initiative administered by the HTF.
Purpose: This measure identifies the average costs associated with developing affordable housing units and measures the efficiency of awarding HTF monies.

1.1.7.2 Efficiency
Definition: A measure that tracks the projected average total development costs per unit of HTF (HTF) new construction.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of total new development costs estimated in awarded applications by the projected number units to be newly constructed. This figure may include awards from the rental development, predevelopment, capacity building or any other special initiative administered by the Housing Trust Fund.
Purpose: This measure identifies the total development costs associated with developing affordable housing units.

1.1.7.3 Efficiency
Definition: A measure that tracks the average loan/grant amount per low income unit of HTF (HTF) rehabilitation and acquisition.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of funds is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of all funds awarded for rehabilitation rental development activities by the total number of estimated units as represented in applications to be rehabilitated. This calculation may include awards for predevelopment loans, capacity building grants, and any other special initiative administered by the HTF.
Purpose: This measure identifies the costs associated with rehabilitating and acquiring affordable housing units and measures the efficiency of awarding HTF monies.

1.1.7.4 Efficiency
Definition: A measure that tracks the average total development costs per unit of HTF (HTF) rehabilitation and acquisition activities.
Data Limitations: Information is based on preliminary estimates by the applicants.

Data Source: The projected total number of units in the development and total development costs is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of total rehabilitation development costs estimated in awarded applications by the number of units to be rehabilitated. This calculation my include awards for predevelopment loans, capacity building grants, and any other special initiative administered by the HTF.
Purpose: This measure identifies the total development costs associated with rehabilitating and acquiring affordable housing units.

1.1.7.1 Explanatory
Definition: A measure that tracks the projected number of households assisted through new construction activities using the HTF (HTF) program.
Data Limitations: No limitations
Data Source: The projected number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units planned to be developed through new construction by applicants for rental development, predevelopment, capacity building, or any other program administered by the Housing Trust Fund. This calculation may income awards for predevelopment loans, capacity building grants, and any other special initiative administered by the Housing Trust Fund.
Purpose: To track the number of households assisted through new construction activities using the HTF program.

1.1.7.2 Explanatory
Definition: A measure that tracks the projected number of households assisted through rehabilitation and acquisition activities using the HTF (HTF) program.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units planned to be developed through rehabilitation by applicants for rental development, predevelopment, capacity building, or any other program administered by the Housing Trust Fund. This calculation may income awards for predevelopment loans, capacity building grants, and any other special initiative administered by the Housing Trust Fund.
Purpose: To track the number of households assisted through rehabilitation and acquisition using the HTF program.

1.1.7.1 Output
Definition: A measure that tracks the projected number of households assisted through the multifamily division utilizing the HTF (HTF) program.
Data Limitations: No limitations
Data Source: The number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.

Methodology: This figure will be calculated as the sum of all restricted units planned to be developed by applicants awarded funds for rental development. This calculation may include awards for predevelopment loans, capacity building grants, and any other special initiative administered by the Housing Trust Fund.
Purpose: To track the total amount of multifamily units assisted utilizing the HTF program.

1.1.8.1 Efficiency
Definition: A measure that tracks the projected average amount of bonds per low income unit of Mortgage Revenue Bond (MRB) new multifamily construction.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of bonds for new construction is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the total value of mortgage revenue bonds awarded by the number of units to be newly constructed.
Purpose: This measure identifies the average amount of bonds associated with developing affordable housing and measures the efficiency of awarding multifamily MRB funds. Although useful to track, this measure is outside of the Department's control.

1.1.8.2 Efficiency
Definition: A measure that tracks the projected average total development costs per unit of Mortgage Revenue Bond (MRB) new multifamily construction.
Data Limitations: Information is based on preliminary estimates by the applicants.
Data Source: The projected total number of units in the development and total development costs for new construction is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of total development costs estimated in applications by the number of units to be newly constructed.
Purpose: This measure identifies the costs associated with developing affordable housing units.

1.1.8.3 Efficiency
Definition: A measure that tracks the projected average bond amount per low income unit of multifamily Mortgage Revenue Bond (MRB) rehabilitation and acquisition.
Data Limitations: No limitations
Data Source: The projected number of low income units and amount of bonds is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the total value of mortgage revenue bonds awarded by the number of units to be rehabilitated.
Purpose: This measure identifies the average amount of bonds associated with rehabilitating and acquiring affordable housing and measures the efficiency of awarding multifamily MRB funds.

1.1.8.4 Efficiency

Definition: A measure that tracks the projected average total development costs per unit of multifamily Mortgage Revenue Bond (MRB) rehabilitation and acquisition.
Data Limitations: Information is based on preliminary estimates from the applicants.
Data Source: The projected total number of units in the development and amount of total development costs is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated by dividing the sum of total development costs estimated in applications by the number of units to be rehabilitated.
Purpose: This measure identifies the total development costs amount associated with rehabilitating and acquiring affordable housing units.

1.1.8.1 Explanatory
Definition: A measure that tracks the projected number of households assisted through new construction activities utilizing the multifamily Mortgage Revenue Bond (MRB) program.
Data Limitations: No limitations
Data Source: The projected number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units to be newly constructed as proposed in awarded applications.
Purpose: To track the number of households assisted through new construction units assisted utilizing multifamily MRB program.

1.1.8.2 Explanatory
Definition: A measure that tracks the projected number of households assisted through rehabilitation and acquisition activities utilizing the multifamily Mortgage Revenue Bond (MRB) program.
Data Limitations: No limitations
Data Source: The projected number of households is tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units to be rehabilitated as proposed in awarded applications.
Purpose: To track the number of households assisted through rehabilitation and acquisition activities utilizing the multifamily MRB program.

1.1.8.1 Output
Definition: A measure that tracks the projected number of low income units financed through the multifamily division utilizing mortgage revenue bond funds.
Data Limitations: No limitations
Data Source: The number of units is tracked by the division for each separate program. Data is entered by staff and maintained in the agency's computer system.
Methodology: This figure will be calculated as the sum of all restricted units to be newly constructed or rehabilitated as proposed in awarded applications.
Purpose: To track the total amount of low income multifamily units assisted utilizing mortgage revenue bond funds.

2.1.1.1 Output
Definition: A measure tracking the number of information and technical assistance requests completed by the Center for Housing Research, Planning, and Communications.
Data Limitations: No limitations
Data Source: The requests are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number of requests received is a total of the requests entered into the division database.
Purpose: To track the consumer information and technical assistance requests received and fulfilled.

2.1.1.2 Output
Definition: A measure tracking the number of short term (completed by phone) information and technical assistance requests completed by the Center for Housing Research, Planning, and Communications.
Data Limitations: No limitations
Data Source: The requests are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number of short term requests received is a total of the short term requests entered into the division database.
Purpose: To track the short term consumer information and technical assistance requests received.

2.1.1.3 Output
Definition: A measure tracking the number of long term (completed by email or mail) information and technical assistance requests completed by the Center for Housing Research, Planning, and Communications.
Data Limitations: No limitations
Data Source: The requests are tracked by the division. Data is entered by staff and maintained in the agency's computer system.
Methodology: The number of long term requests received is a total of the long term requests entered into the division database.
Purpose: To track the long term consumer information and technical assistance requests received.

2.2.1.1 Output
Definition: The number of technical assistance visits is based on actual on-site technical assistance visits conducted by the field offices' staff. Technical assistance visits includes: meeting with local governments (cities & counties) staff and nonprofits providing agency information on programs and services; follow-up on contract compliance measures with Colonia Self-Help Centers; and general interview sessions with individuals to provide referral services to other office and agencies available to address issues of concern.
Data Limitations: No limitations.

Data Source: Actual on-site visits are reported by staff.
Methodology: On-site visits are manually tracked by staff and maintained in the Department's database.
Purpose: The purpose of the measure is to identify the level technical assistance provided to Colonia residents as required by Senate Bill 1509. This measure is important because it identifies the effectiveness of the program and compliance with legislative mandates.

2.2.1.2 Output
Definition: The number of Colonia residents receiving assistance annually through the Colonia Self-Help Centers. This includes the following types of assistance: housing rehabilitation, new construction, surveying and platting, construction skills training, tool library access for self-help construction, housing finance; credit and debt counseling, infrastructure constructions and access, and capital access for mortgages.
Data Limitations: Deviation from targeted performance could occur if participation of Colonia residents is lower than expected.
Data Source: Actual assistance provided.
Methodology: The Self Help Centers will provide a quarterly report on the assistance provided. This data will be maintained in the Department's records.
Purpose: This measure is important because it identifies the effectiveness of the program in providing assistance to Colonia residents with a wide array of services.

2.2.1.3 Output
Definition: The number of persons educated as a result of Senate Bill 336 is calculated by adding together the number of people: attending training/lectures, calling and/or receiving information; the number of publications distributed (newsletter, magazine, or paper), population viewing or hearing media public service spots (calculated by radio or TV station).
Data Limitations: Deviation from targeted performance could occur if participation of Colonia residents is lower than expected.
Data Source: Actual persons receiving services.
Methodology: Information is manually tracked by staff.
Purpose: The Office of Colonia Initiatives is responsible for developing and implementing the Contract For Deed Consumer Education Program (Senate Bill 336) for residents who purchase residential land under a contract for deed. This measure is important because it supports Senate Bill 336 and identifies the effectiveness of the program.

3.1.1.1 Efficiency
Definition: The average agency administrative cost per person assisted represents personnel costs, operating costs, capital expenditures and indirect expenditures as identified in the LAR. The Department's fiscal section calculates expenditures related to personnel, operations, capital items, and indirect costs.
Data Limitations: A possible limitation could be limitations on obtaining expenditure data for the reported period.
Data Source: The total number of persons served is gathered from the subrecipients' monthly performance reports.

Methodology: The efficiency measure is determined by dividing the total administrative expenditure of Community Service funds by the total number of clients served in Community Service programs.
Purpose: The purpose of the measure shows the efficiency in costs to administer the program.

3.1.1.1 Explanatory
Definition: Figure represents the estimated number of emergency shelters in Texas.
Data Limitations: There is no accurate way to count the actual number of emergency shelters in Texas.
Data Source: The estimated number of emergency shelters is based on the total number of entities on the ESGP mailing list less those entities that do not represent shelters.
Methodology: Number is estimated.
Purpose: The purpose of the measure is to identify the number of emergency shelters available to assist homeless individuals.

3.1.1.2 Explanatory
Definition: Figure represents the most recent census data.
Data Limitations: Information is collected every ten years.
Data Source: Information is obtained from the most recent census data.
Methodology: Number is actual.
Purpose: The purpose of the measure identifies the number of persons at or below 125% of poverty (4,172,890) and identifies the number of persons in need.

3.1.1.1 Output
Definition: This measure tracks the number of persons assisted through homeless and poverty related programs.
Data Limitations: A possible limitation could be subrecipients failing to submit required reports on a timely basis.
Data Source: Subrecipients track the data on a daily basis, incorporate it in a monthly performance report, and electronically submit the information to the Department. The monthly performance report information is entered in the Department database and maintained by the Department.
Methodology: Performance reported is actual number.
Purpose: The purpose of the measure is to identify the number of persons at or below 125% of poverty assisted by all Community Services programs.

3.1.1.2 Output
Definition: Measure relates to the number of persons assisted that achieve incomes above 125% of poverty level for a minimum of 90 days.
Data Limitations: A possible limitation could be subrecipients failing to submit required reports on a timely basis.
Data Source: The number of persons achieving incomes above 125% of poverty is reported in the subrecipients' monthly performance reports. Subrecipients are required to track the

number of persons assisted that achieve incomes above the poverty level as a result of efforts by the subrecipients. Subrecipients report this information in their monthly performance report. The data is entered on the Department database and maintained by the Department.
Methodology: Performance reported is actual number.
Purpose: The purpose of the measure is to identify the number of persons the program has helped to achieve incomes above the poverty level.

3.1.1.3 Output
Definition: Measure relates to the number of shelters assisted through ESGP funds.
Data Limitations: No limitations on data.
Data Source: The Department tracks information from contract records. The Department tracks this information from contract records. Assistance to a shelter is reported only once a year during the quarter the contract is initiated.
Methodology: Performance reported is actual number. The Department counts each project funded through ESGP contractors as a shelter assisted.
Purpose: The purpose of the measure is to identify the effectiveness of the program and the number of shelters the program is able to fund.

3.2.1.1 Efficiency
Definition: The average cost per household served is calculated based on the number of households assisted by CEAP and WAP from the Monthly Funding Performance Report from subrecipients and the administrative expenditures report from TDHCA Budget and Accounting section.
Data Limitations: Performance reports received past the due date from subrecipients could result in incomplete data. Increase or decrease in funding could create a variance in the targeted goal.
Data Source: The average cost per household served is calculated based on the number of households assisted by CEAP and WAP from the subrecipient Monthly Funding Performance Report divided by the administrative expenditures as reported by TDHCA Budget and Accounting Section.
Methodology: Calculations are based on the total administrative expenditures including indirect cost for the Energy Assistance section divided by the total number of households served.
Purpose: The measure identifies the average administrative cost to provide service to a household.

3.2.1.2 Efficiency
Definition: The statewide average cost to weatherize a home includes the cumulative cost of labor, materials, and program support for all completed units in the state divided by the number of completed units.
Data Limitations: Increase or decrease in funding could create a variance in the targeted goal.

Data Source: Monthly expenditures and performance reports are entered by subrecipients through the Department's online reporting system.
Methodology: Calculations are based on the cumulative cost of labor, materials, and program support for all completed units in the state divided by the number of completed units.
Purpose: The measure identifies the average cost to perform weatherization on a home.

3.2.1.1 Explanatory
Definition: The number of very low income households income-eligible for energy assistance in Texas is determined based on the maximum eligibility limit of 125% of the Federal OMB poverty guidelines.
Data Limitations: No limitations.
Data Source: According to the publication entitled LIHEAP Home Energy Notebook for Fiscal Year 2001, issued on April 7, 2003 (via transmittal no. LIHEAP-IM-2003-7) to LIHEAP grantees by the Office of Community Services of the US Department of Health and Human Services, the number of very income-eligible households for LIHEAP grantees by the Office of Community Services of the US Department of Health and Human Services, the number of very income-eligible households for Survey (CPS) 1999-2001.
Methodology: Data represents an actual number.
Purpose: The purpose of the measure is to identify the eligibility population of the state. It is important because it identifies the level of need in the state.

3.2.1.1 Output
Definition: The number of households assisted through the Comprehensive Energy Assistance Program (CEAP) represents the number of unduplicated households receiving services under the four program components, consisting of co-pay, elderly/disabled Energy Crisis Program, and the heating and cooling systems components. Each of these program components provides stand-alone services. A household may be assisted by more than one component depending on needs.
Data Limitations: Targeted performance could be impacted by changes in funding levels, the price of energy and extremes in temperature.
Data Source: Monthly expenditures and performance reports are entered by subrecipients through the Department's online reporting system.
Methodology: Number is actual.
Purpose: The LIHEAP program provides direct financial assistance for energy needs of low income persons through the Comprehensive Energy Assistance Program (CEAP). The measure is important because it identifies the effectiveness of the CEAP program through the number of households receiving CEAP.

3.2.1.2 Output
Definition: The number of dwelling units weatherized is based on Monthly Progress Expenditure/Monthly Fund Request Reports submitted to the Department by the weatherization subrecipients.
Data Limitations: Targeted performance could be impacted by changes in funding levels.

Data Source: Monthly expenditures and performance reports are entered by subrecipients through the Department's online reporting system. Performance data from these reports is entered in an automated system and maintained by the Department. Performance figures represent an unduplicated number of weatherization units from the Department's DOE and LIHEAP Weatherization programs.
Methodology: The performance number reported represents the actual number of dwelling units weatherized.
Purpose: The WAP program provides residential weatherization and other cost-effective energy-related home repair to increase the energy efficiency of dwellings owned or occupied by low-income persons. The measure is important because it identifies the effectiveness of the program through the number of homes receiving weatherization services.

4.1.1.1 Efficiency
Definition: The average cost to monitor a rental development includes the resources needed to provide determination of program compliance and effectiveness of rental programs.
Data Limitations: No limitations.
Data Source: Expenditure data is maintained in the Department's automated information systems.
Methodology: The average cost is derived by dividing the total budgeted cost for rental development monitoring activities by the number of rental developments monitored.
Purpose: The measure identifies the average cost to monitor a rental development.

4.1.1.1 Explanatory
Definition: The total number of rental developments in the TDHCA compliance monitoring portfolio. This number represents the portfolio for which the PMC division is responsible. This includes developments monitored by on-site file review, desk review, a combination of onsite and desk reviews, or other compliance activities depending on program requirements. Program development totals vary throughout the year.
Data Limitations: No limitations.
Data Source: Program totals are maintained by the Department's databases.
Methodology: Figure represents actual number of developments in the compliance monitoring portfolio.
Purpose: The measure provides the total number of housing developments in the compliance monitoring portfolio.

4.1.1.2 Explanatory
Definition: Total number of housing units in the multi and single family rental developments monitored by the Department. The total number includes both restricted and unrestricted units. Units under construction as well as units available for lease are included in the total.
Data Limitations: No limitations.
Data Source: Unit totals are maintained by the Department's databases.
Methodology: Figure represents actual number of units constructed or rehabilitated.
Purpose: The measure provides information of the total rental units monitored by the Department.

4.1.1.1 Output
Definition: Measure represents the number of both onsite and desk reviews conducted under rental monitoring programs.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department data bases.
Methodology: Number is actual.
Purpose: The measure meets statutory and agency requirements.

4.1.1.2 Output
Definition: Measure represents the number of desk reviews conducted under rental programs. In addition to on-site reviews, monthly, quarterly, and-or annual compliance reporting is required. These reports are a vehicle for measuring overall and ongoing compliance with rent, income, and other controls and requirements. The frequency in the number of reports is determined by program requirement, and may vary depending on the level of compliance. Desk reviews conducted also include the review of Fair Housing Sponsor Reports, substantial construction certification reviews, construction inspection reviews, and other reviews.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department data bases.
Methodology: Number is actual.
Purpose: The measure meets statutory and agency requirements.

4.1.1.3 Output
Definition: Measure represents the number of on-site, in-depth desk reviews (done in lieu of on-site reviews for projects with 10 or less units), and 8609 inspections conducted under rental programs. The reviews provide the best measure of program compliance and effectiveness of affordable housing programs. The frequency of reviews is either statutorily or agency required, therefore the number meets or exceeds the specific program requirement.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department databases.
Methodology: The number reported is the actual number of reviews performed.
Purpose: The measure meets statutory and agency requirements.

4.1.1.4 Output
Definition: Measure represents the number of technical assistance calls, Open Records Requests, complaints and other public requests processed and the number of trainings conducted.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department databases.
Methodology: Number is actual.
Purpose: The measure meets statutory requirements and program objectives.

4.1.1.5 Output

Definition: Measure represents the number of application-related instruments processed, including Compliance Status Reports, Land Use Restriction Agreements, and application site inspections.

Data Limitations: No limitations.

Data Source: The data is gathered by program from Department databases.

Methodology: Number is actual.

Purpose: The measure meets statutory and agency requirements.

4.1.2.1 Efficiency

Definition: The average cost to administer a contract includes the resources needed for effective contract management.

Data Limitations: No limitations.

Data Source: Expenditure data is maintained in the Department’s automated information systems.

Methodology: The average cost is derived by dividing the total budgeted cost for contract administration activities by the number of contracts administered.

Purpose: The measure identifies the average cost to administer a contract.

4.1.2.1 Explanatory

Definition: The total number of contracts administered by PMC. This number represents the portfolio of contract responsibility, whether or not a contract is processed and/or monitored through desk or onsite reviews, or other contract administration activities depending on program requirements. Measure includes contracts for all activities, including Single Family Rehabilitation; Tenant Based Rental Assistance, Rental Housing Development, Down-Payment Assistance, and other types of contract activity.

Data Limitations: No limitations

Data Source: Data on contracts administered is maintained in the Department's database.

Methodology: Figure represents actual number of contracts administered.

Purpose: The measure provides the total number of active contracts administered.

4.1.2.1 Output

Definition: Measure represents the number of onsite reviews, desk reviews, and single audit reviews conducted as part of contract administration in PMC.

Data Limitations: No limitations.

Data Source: The data is gathered from Department data bases.

Methodology: Number is actual.

Purpose: The measure meets statutory and program requirements.

4.1.2.2 Output

Definition: The number of desk reviews conducted of Federal and State grant sub-recipients. Single Audits are required annually if the federally mandated expenditure threshold is exceeded as defined by OMB Circular A-133. OMB Circular A-133 defines which single audit reports must be submitted to the pass-through agency. These reports are used to

measure overall and ongoing compliance with program requirements, financial accountability of Federal and State grants and the overall internal controls of the sub-recipient.
Data Limitations: No limitations.
Data Source: The data is gathered from Department data bases.
Methodology: Number is actual.
Purpose: The measure meets statutory and program requirements.

4.1.2.3 Output
Definition: Measure represents the number of desk reviews conducted as part of contract administration in PMC. This measure includes setup, draw, desk, environmental, quality control, re-certification, amendment, revision and other desk reviews.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department data bases.
Methodology: Number is actual.
Purpose: The measure meets statutory and program requirements.

4.1.2.4 Output
Definition: Measure represents the number of financial and programmatic onsite monitoring reviews and the number of technical assistance onsite reviews conducted as part of contract administration in PMC.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department databases.
Methodology: The number reported is the actual number of onsite reviews conducted.
Purpose: The measure meets program requirements.

4.1.2.5 Output
Definition: Measure represents the number of technical assistance calls, Open Records Requests, complaints and other public requests processed and the number of trainings conducted.
Data Limitations: No limitations.
Data Source: The data is gathered by program from Department data bases.
Methodology: Number is actual.
Purpose: The measure meets statutory and program objectives.

5.1.1.1 Efficiency
Definition: The average cost to the Department of the processing of an Statement of Ownership and Location (SOL) application based on total funds expended and encumbered during the reporting period for the issuance of manufactured housing SOLs. Cost includes department overhead, salaries (permanent and temporary personnel), supplies, travel, postage, and other costs directly related to SOLs , including document review, handling, proofing, and notification.
Data Limitations: No limitations of data.
Data Source: The data is maintained in the USAS system.

Methodology: To obtain the average, divide the total funds by the total number of SOLs issued in a reporting period.
Purpose: The measure shows the efficiency in costs to issue a SOL.

5.1.1.1 Explanatory
Definition: The number of Manufactured Homes of record in Texas represents the total number of manufactured homes with an existing record in the official manufactured housing database that is maintained by the department.
Data Limitations: No limitations of data.
Data Source: Automated compilation through the Department's Tracking System.
Methodology: Actual number.
Purpose: The measure represents the total number of manufactured homes in Texas for which the Department has an ownership and location record.

5.1.1.1 Output
Definition: The total number of manufactured housing Statements of Ownership and Location (SOL) issued for which a fee is charged (includes SOLs issued as a result of changes in ownership, location, lien information, election, and use).
Data Limitations: No limitations.
Data Source: Data is computer generated (Department's Tracking System) reports and accounting receipts.
Methodology: Number is actual.
Purpose: This measure identifies the total number of SOLs issued in a reporting period. It is important because it shows the workload associated with issuing SOLs.

5.1.1.2 Output
Definition: The total number of manufactured housing licenses issued to qualifying applicants (applicant types broker, installer, manufacturer, retailer, retailer/broker, retailer/broker/installer, retailer/installer, salvage rebuilder and salespersons). The number calculated includes reprints of and revisions to existing licenses.
Data Limitations: No limitations.
Data Source: Data is computer generated through the Licensing Tracking System.
Methodology: Number is actual.
Purpose: This measure identifies the total number of licenses issued in a reporting period. It is important because it shows the workload associated with issuing licenses.

5.1.2.1 Efficiency
Definition: The average cost to the Department of each inspection based on the total funds expended and encumbered during the reporting period to conduct or attempt inspections, including both installation and non-routine inspections. Cost includes department overhead, salaries (permanent and temporary personnel), supplies, travel; postage, and other costs directly related to the enforcement of the inspection function.
Data Limitations: No limitations.
Data Source: USAS, Installation Tracking System and Travel Database.

Methodology: To obtain the average, divide the total funds expended by the total number of routine and non-routine inspections (completed and/or attempted) within the reporting period.
Purpose: The measure identifies the cost efficiency to perform or attempt an inspection.

5.1.2.1 Explanatory
Definition: The total number of installation reports received within a reporting period. Installation reports are received from lenders, retailers, installers, consumers, and other sources.
Data Limitations: No limitations.
Data Source: Source: Installation Tracking System.
Methodology: Actual number.
Purpose: The measure provides information on the total number of installation reports received.

5.1.2.2 Explanatory
Definition: The total number of installation inspections with deviations documented. An inspector may list several violations on a single installation inspection, but it only accounts for one reported deviation.
Data Limitations: No limitations.
Data Source: Source: Installation Tracking System.
Methodology: Actual number.
Purpose: The measure provides information on the total number of installation inspections with deviations. The importance of this measure is to ensure that homes are installed in a safe manner to prevent injury to consumers and the general public.

5.1.2.1 Output
Definition: The total number of routine inspections conducted to inspect the anchoring and support systems of manufactured homes (includes reviewing installation report for completeness, inspecting stabilizing devices to confirm that the installer used approved materials, inspecting the home for proper installation, and verifying that the installer is licensed with TDHCA). Unsuccessful attempted inspections (identified as skirted, not accessible, unable to locate, or no unit at location) are not included in the number reported.
Data Limitations: No limitations.
Data Source: Collection of data is based on the Installation Tracking System.
Methodology: Number is actual.
Purpose: The measure identifies the total number of inspections performed (attempted inspections are not included) in a reporting period. It is important because it shows the workload for inspections.

5.1.2.2 Output
Definition: The total number of special/complex inspections performed upon request from the public, other regulated entities, or as part of a complaint investigation. Special

inspections consist of, but are not limited to the following: consumer complaints, habitability, permanent foundations, SAA, and retailer monitoring.
Data Limitations: No limitations.
Data Source: Collection of data is based on the Inspector's Travel Voucher Database.
Methodology: The number is retrieved from the Travel Voucher Database by generating a report which lists the inspections conducted within the reporting period.
Purpose: The measure identifies the total number of inspections performed in a reporting period. It is important because it identifies inspections that result from unusual or special circumstances.

5.1.3.1 Efficiency
Definition: The average cost to the Department to resolve a complaint based on the total funds expended and encumbered during the reporting period for complaint processing, investigation, and resolution divided by the number of complaints resolved. Cost includes department overhead, salaries (permanent and temporary personnel), supplies, travel, postage, subpoena expenses, and other costs directly related to the agency's enforcement function.
Data Limitations: No limitations.
Data Source: Data is obtained from either a management report from the Department's Financial Administration Division or USAS, and the Consumer Complaint Tracking System.
Methodology: To obtain the average, divide the total funds expended by the total number of resolved complaints within the reporting period. Non-jurisdictional complaints (closed as DISJ) are not included in this measure.
Purpose: The measure identifies the efficiency in costs for resolving a complaint.

5.1.3.2 Efficiency
Definition: The average length of time to resolve a jurisdictional complaint, for jurisdictional complaints resolved during the reporting period. The number of days to reach a resolution is calculated from the initial date of receipt of a consumer complaint to the date closed.
Data Limitations: No limitations.
Data Source: CCTS.
Methodology: The total number of calendar days per jurisdictional complaint resolved, summed for all complaints resolved during the reporting period, that elapsed from receipt of a request for agency intervention to the date upon which final action on the complaint was taken (numerator) is, divided by the number of complaints resolved during the reporting period (denominator). The calculation excludes complaints determined to be non-jurisdictional of the agency's statutory responsibilities.
Purpose: The measure tracks the average number of days spent to resolve a complaint. The measure is important because it shows how efficient the division has been in resolving complaints.

5.1.3.1 Explanatory
Definition: The total number of complaints received in a reporting period that are within the agency's jurisdiction of statutory responsibility.

Data Limitations: No limitations.
Data Source: The number is retrieved from the Consumer Complaint Tracking System.
Methodology: Actual number.
Purpose: The measure provides information on the total number of jurisdictional complaints. This measure is important to determine the division's workload.

5.1.3.1 Output
Definition: The total number of complaints resolved during the reporting period upon which final action was taken by the board or the Department through informal and formal means. Non-jurisdictional complaints (closed as DISJ) are not included in this measure.
Data Limitations: No limitations.
Data Source: Data is maintained in the Consumer Complaint Tracking System.
Methodology: Actual number.
Purpose: The measure shows the workload associated with resolving complaints. The measure is important because it also identifies consumer problems.

APPENDIX E. IMPLEMENTING THE TEXAS TRANSFORMATION

Managed Service Delivery

1. Has the agency considered use of managed services in order to focus more on its business needs?

1. Yes, in the last quarter of FY 2008, TDHCA plans to post an RFO for a hosted employee performance management system that would be completely maintained and supported by a vendor. Additionally, the Mitas Automated Accounting and Loan Servicing System is currently a managed service from an application support standpoint, and TDHCA is considering moving to a hosted solution so that the server environment would also be managed by the vendor. Finally, ACS contracts with TDHCA to manage a large portion of the Community Development Block Grant Disaster Recovery program, and the vendor is responsible for the information systems that support the parts of the program they manage.

Managed IT Supply Chain

2. Does the agency leverage and obtain additional value from the Information and Communications Technology (ICT) Cooperative Contracts program; for example, by further negotiating not-to-exceed pricing?

2. Yes, TDHCA utilizes the ICT Cooperative Contracts program for IT purchases whenever the product or service is available (which is almost all cases). For example, all contract programmers from FY 2005 forward have been hired using DIR's IT Staffing Services.

Security and Privacy

3. Describe the agency's strategies to align with the State Enterprise Security Plan (http://www.dir.state.tx.us/pubs/securityplan2007/index.htm).

3. Strategies that are currently in place to align with the State Enterprise Security Plan include the following:

- Use DIR's security testing services once per year.
- Use and maintain network security hardware and software to prevent intrusions.
- Maintain security policies and distribute them to users of agency systems.
- Report major incidents to DIR immediately and minor incidents through the monthly reporting process.
- Follow a structured account management process.

In June 2008, TDHCA will begin an IT security project which will result in improved policies and practices and new strategies such as a better security risk assessment process, intrusion detection, and portable device security.

4. Describe the agency's policies, practices and programs, implemented or planned, that comply with relevant statutes and administrative rules to ensure the privacy of confidential data. Consider federal privacy requirements (e.g., the Health Insurance Portability and Accountability Act or the Family Educational Rights and Privacy Act) that apply to the agency. List the organizational units (program, offices, IT, legal, etc.) that manage privacy functions. Describe any future plans for improvement.

4. The information maintained by TDHCA that has confidential elements includes some financial data and some household data for subrecipients of funds and program participants. The Department does not maintain medical data or student information. TDHCA addresses privacy through a combination of policies and procedures. Policies include a series of internal security-related SOPs, an IT security policy for vendors who maintain personally identifiable information of agency program participants, and IT security guidance documents for subrecipients of community services and energy assistance program funds. Procedures involve account management and access rights on each system with confidential data, the use of digital signatures and encryption in file transfers such as those between TDHCA and Texas Online and the Office of the Comptroller of Public Accounts, and network security at the router and firewall level.

In June 2008, TDHCA will begin an IT security project which will result in improved policies and practices and new strategies such as a better security risk assessment process, intrusion detection, and portable device security.

Technology Policy, Best Practices, and Partnerships

5. What current practices or plans are in place to improve usability and searchability of the agency's Web content? (2007 SSP, Strategy 4 1)

5. TDHCA is currently engaged in a Web site redesign project. The main goal of the project is to provide visitors with easier access to information by asking them to select their customer type. Additionally, the Web site currently includes a search engine.

6. What current practices or plans are in place to improve life cycle management of agency data and information? Include the agency's approach and ability to meet future open records and e-discovery requests. (2007 SSP, Strategy 4-1)

6. TDHCA's Records Management SOP contains agency policies and procedures for both hard copy and electronic records. The SOP defines records management terminology as well as storage, retrieval, and disposition policies. The Department's Records Retention Schedule (referenced in the SOP) defines the life cycle of each record and indicates whether the copy of record is in hard copy or electronic format.

TDHCA's approach to meeting open records and e-discovery requests is defined in the Department's Public Information Request (PIR) SOP. Some of the procedures related to PIRs include 1) logging and tracking the status of the request in the TDHCA's PIR System, 2) consulting the Legal Division and Office of the Attorney General as needed, 3) checking the Records Retention Schedule, 4) determining what information systems or paper files would be involved in responding to the request, 5) estimating costs, and 6) responding to the requestor within ten days of the request.

7. Describe agency methods and standards (federal, state, industry), implemented or planned, intended to enhance data sharing (i.e., improve interoperability) with other entities. (2007 SSP, Strategy 4-2)

7. TDHCA follows Office of the Comptroller of Public Accounts data sharing standards for exchanging financial information associated with contracts for the Community Development Block Grant Disaster Recovery, Community Services Block Grant, Comprehensive Energy Assistance Program, Emergency Shelters Grant Program, HOME, Housing Trust Fund, and Weatherization Assistance Program contracts. The Department follows Texas Online data sharing standards for exchanging Manufactured Housing license renewal payments and related information.

Core Missions

8. Does the agency have any plans to simplify or reduce the number of existing software platforms (e.g., operating systems, application development environments, database systems, office suites, other COTS applications)? If no, is the agency fully leveraging its technology to support both its current and future business environment?

8. Yes, TDHCA plans to reduce the number of operating system platforms in FY 2009, 2010, and 2011. The Department currently supports multiple desktop operating systems. In FY 2009, most desktop operating systems will be migrated to one platform. Additionally, application and network utility servers currently run on a mix of Windows Server (three versions), Solaris, Linux, and FreeBSD operating systems. TDHCA plans to eliminate some of these server platforms by FY 2011.

9. Describe any current or planned activities targeted at reducing the environmental resource consumption of technology equipment (recycling, consolidating, virtualizing, buying energy efficient equipment, etc.).

9. TDHCA plans to evaluate server virtualization options in FY 2009 with a goal of reducing the number of servers in use in future fiscal years.

APPENDIX F. WORKFORCE PLAN

INTRODUCTION

Each state agency is required to conduct a strategic planning staffing analysis and develop a workforce plan that follows guidelines developed by the State Auditor. This workforce plan addresses the agency's critical staffing and training needs, including the need for experienced employees to impart knowledge to their potential successors pursuant to Section 2056.002, Government Code.

AGENCY OVERVIEW

This section describes the mission, strategic goals, objectives, and business functions of the agency. Potential changes to these items over the next five years is also discussed.

TDHCA Mission

To help Texans achieve an improved quality of life through the development of better communities.

TDHCA Philosophy

Customers

- Advocacy: The Department will actively encourage, support, and promote an improved quality of life for extremely low, very low, low, and moderate income Texans.
- Service: The Department will be responsive to every constituent request and provide every customer with prompt, courteous service.
- Partnership: The Department will foster an atmosphere that is conducive to encouraging and forming public and private partnerships that are responsive to the needs of extremely low, very low, low, and moderate income Texans.
- Equity: The Department will establish processes for the public's full participation in programs and the fair allocation of resources.
- Respect: The Department believes in the worth of all persons and their need for decent, safe, and affordable housing.

Operations

- Integrity: The Department will conduct business openly, free of bias, and according to the highest ethical and professional standards.
- Accountability: The Department will be answerable and responsive to the Texas Legislature, external customers/consumers, and its various funding sources.
- Efficiency: The work of the Department will be accomplished in the most direct, cost-effective manner.
- Leveraging: Each program will encourage public and private sector participation and the use of additional resources to maximize economic impact.
- Diversity: The Department recognizes the need for a diverse working environment. The Department will strive to continue to recruit and retain a diverse workforce to reflect the diversity of Texas.

Staff

- Quality: Department staff will be committed in providing extraordinary services to it's customers and employees in the work they perform.
- Creativity: Department staff will continually seek innovative methods for performing work in their respective fields.
- Respect: The Department recognizes that its employees are the critical element in accomplishing its mission and goals. Therefore, it pledges to support their continued professional development and provide opportunities for reward based on their performance. In doing so, it also pledges to promote a collaborative and positive work environment for all employees.

TDHCA's Goals, Objectives, and Strategies to Fulfill its Mission

Goal 1.

To increase and preserve the availability of safe, decent, and affordable housing for very low, low, and moderate income persons and families.

Objective 1. Make loans, grants, and incentives available to fund eligible housing activities and preserve/create single and multifamily units for very low, low, and moderate income households.

Strategy 1. Provide federal mortgage loans, through the department's Mortgage Revenue Bond (MRB) Program, which are below the conventional market interest rates to very low, low, and moderate income homebuyers.

Strategy 2. Provide federal housing loans and grants through the HOME Investment Partnership (HOME) Program for very low and low income families, focusing on the construction of single family housing in rural areas of the state through partnerships with the private sector.

Strategy 3. Provide state housing loans and grants through the HTF for very low and low income households.

Strategy 4. Provide federal rental assistance through Section 8 certificates and vouchers for very low income households.

Strategy 5. Provide federal tax credits to develop rental housing for very low and low income households.

Strategy 6. Provide federal housing loans and grants through the HOME Investment Partnership (HOME) Program for very low and low income families, focusing on the construction of multifamily housing units in rural areas of the state through partnerships the private sector.

Strategy 7. Provide state housing loans and grants through the HTF for very low and low income households.

Strategy 8. Provide federal mortgage loans through the department's Mortgage Revenue Bond (MRB) program for the acquisition, restoration, construction and preservation of multifamily rental units for very low, low and moderate income families.

Goal 2. Promote improved housing conditions for extremely LI, VLI, and low income households by providing information and technical assistance.

Objective 1. Provide information and technical assistance regarding affordable housing resources and community support services.

Strategy 1. Provide information and technical assistance to the public through the Center for Housing Research, Planning, and Communications.

Objective 2. Promote and enhance homeownership opportunities along with the development of safe neighborhoods and effective community services for colonia residents and/or residents of LI, VLI, and ELI along the Texas-Mexico border.

Strategy 1. Provide technical assistance to colonias through field offices.

Goal 3.

Improve living conditions for the poor and homeless and reduce cost of home energy for very low income Texans.

Objective 1. To ease hardships of poverty and homelessness for 16 percent of the population of very low income persons each year.

Strategy 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.

Objective 2. To reduce cost of home energy for 6 percent of very low income households each year at or below 125 percent of poverty

Strategy 1. Administer state energy assistance programs by providing grants to local organizations for energy related improvements to dwellings occupied by very low income persons and general assistance to very low income households for heating and cooling expenses and energy-related emergencies.

Goal 4. Ensure compliance with Department of Housing and Community Affairs federal and state program mandates.

Objective 1. Administer and monitor housing developments and subrecipient contracts to determine compliance with federal and state program requirements.

Strategy 1. Monitor and inspect for federal and state housing program requirements.

Strategy 2. Administer and monitor federal and state subrecipient contracts for programmatic and fiscal requirements.

Goal 5. Protect the public by regulating the manufactured housing industry in accordance with state and federal laws.

Objective 1. Operate a regulatory system to ensure responsive handling of Statement of Ownership and Location and license applications, inspection reports, and complaints as follows: 25 percent installation inspections; 97 percent of applications within established timeframes; and 99 percent of consumer complaint inspections within 30 calendar days of a request.

Strategy 1. Provide services for Statement of Ownership and Location and licensing in a timely and efficient manner.

Strategy 2. Conduct inspections of manufactured homes in a timely and efficient manner.

Strategy 3. Process consumer complaints, conduct investigations, and take administrative actions to protect general public and consumers.

Strategy 4. Provide for the processing of occupational licenses, registrations, or permit fees through TexasOnline.

Core Business Functions

TDHCA business functions can be broadly grouped into three categories: providing housing and community services assistance, regulating the manufactured housing industry, serving as an informational resource. To ensure the success of the Department's efforts in these areas, a variety of supporting functions are required. These support areas include financial administration, human resources, information systems, portfolio management and compliance, policy and public affairs, purchasing, and real estate analysis.

Housing and Community Services Assistance

Types of housing and community services assistance include:

- housing assistance for individual households (homebuyer mortgage and down payment, home repair, and rental payment assistance);
- funding for the development of apartments (new construction or rehabilitation of rental units);
- energy assistance (utility payments or home weatherization activities);
- assistance for homeless persons and emergency relief for individuals or families in crisis poverty (transitional housing, energy assistance, home weatherization, health and human services, child care, nutrition, job training and employment services, substance abuse counseling, medical services, and other emergency assistance); and
- capacity building assistance (training and technical assistance, assistance with operating costs, and predevelopment loans to help local housing organizations develop housing).

Manufactured Housing Activities

TDHCA's Manufactured Housing Division is an independent entity within TDHCA. It is administratively attached, but it has its own Board of Directors. This division administers the Texas Manufactured Housing Standards Act. The act ensures that manufactured homes are well-constructed, safe, and installed correctly; that consumers are provided fair and effective remedies; and that measures are taken to provide economic stability for the Texas manufactured housing industry. Services of the Manufactured Housing Division include issuances of SOL research; training and license issuances to individuals for manufactured housing manufacturing, retailing, rebuilding, installations, broker, or sales; records and releases on tax and mortgage liens; installation inspections; consumer complaints; and federal oversight under a cooperative agreement with HUD.

Information Resources

TDHCA is an informational resource for individuals, federal, state, and local governments, the Legislature, community organizations, advocacy groups, housing developers, and supportive services providers. Examples of information provided includes: general information on TDHCA activities, application and implementation technical assistance, housing need data and analysis, and direct consumer information on available assistance statewide. This information is provided through a myriad of communication methods: a 1-800 phone line, publications and guidebooks, via email and the TDHCA website, public hearings, trainings and workshops, planning roundtables, field offices, mass mailings, television, radio, and print media, speaking engagements, and conferences.

In all of its activities, 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.

Anticipated Changes to the Mission, Strategies, and Goals over the Next Five Years

The Department does not anticipate any significant changes of the mission, strategies and goals over the next five years.

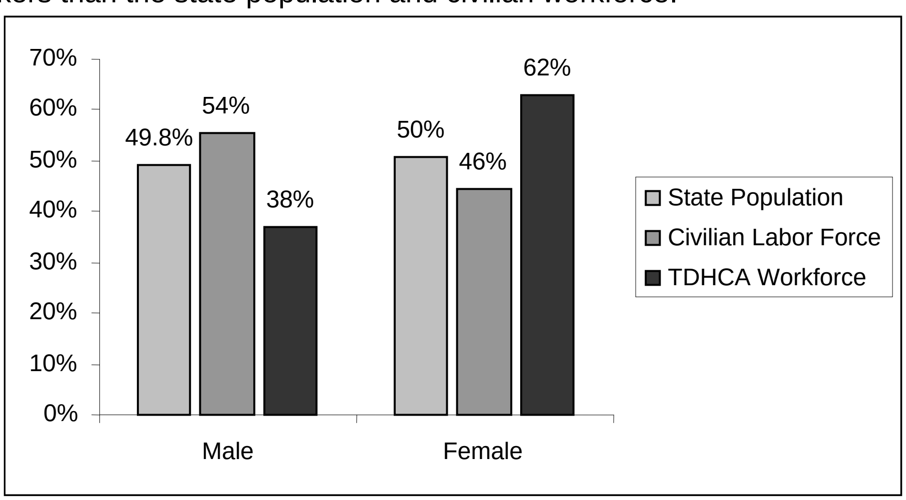
CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

This section describes the agency's current workforce by assessing whether current employees have the knowledge, skills, and abilities needed to address critical business issues in the future.

Demographic Information

As of May 1, 2008, TDHCA had a total headcount of 285 employees. The agency is authorized to have 298 total full-time equivalents (FTEs). Additionally, TDHCA was allocated funds for the CDBG disaster recovery program as part of the disaster relief efforts after Hurricane Rita. There are 12 FTEs that are budgeted for this program currently. Out of the 285 employees there are 10 FTES allocated as part of the CDBG disaster recovery relief program. These FTEs are not counted as part of the FTE cap per Article IX under "federally funded" rule but are included in the FTE count for EEO reporting purposes. These FTEs are considered temporary positions and will be part of TDHCA for at least the next biennium or until federal disaster funds are expended.

The following charts profile TDHCA's workforce and include both full-time and part-time employees. The TDHCA workforce is comprised of 38 percent males and 62 percent females As shown in the table below, the TDHCA workforce has a higher representation of female workers than the state population and civilian workforce.



Workforce by Age

Approximately 62 percent of TDHCA's workforce is over the age of 40. This indicates that the workforce has a good level of overall work experience. TDHCA continues to be successful in the recruitment and retention of employees in this age group. The average age of TDHCA employees is 44.

Employee Tenure

Approximately 46 percent of TDHCA employees have less than 5 years of TDHCA service, 25 percent with 6-10 years of experience, 23 percent with 11-15 years of experience, and 6.3 percent with more than 15 years experience. The average number of years of service for Department employees is 11 years. TDHCA continually strives to ensure that employees are appropriately compensated; to improve internal communications through a variety of venues, to promote training and career development; and coordinate employee service recognition activities to motivate employees and to improve employee retention.

Age

Age Group	Population	Percentage
Under 30	21	7.4%
30-39	87	31%
40-49	84	29.4%
50 – 59	77	27%
60 and over	16	5.6%
Total	285	

As of April 30, 2008

Employee Tenure

Tenure Range	# of Employees	% of Total
<1 year	35	12.3%
1 – 5	97	34%
6 – 10	71	25%
11 – 15	66	23%
16 – 20	11	3.9%
21 – 25	3	1.1%
26 – 30	2	07%
30 +	-	-
Totals	285	100%

As of April 30, 2008

TDHCA's Workforce Compared with the Statewide Civilian Workforce

The tables and charts below compare the percentage of African American, Hispanic, and Female TDHCA employees (as of April 30, 2008) to the statewide civilian workforce as reported by the Texas Workforce Commission Civil Rights Division. Overall, the race and ethnic composition of the TDHCA workforce is very diverse and exceeds the state percentages.

However, there are four areas where TDHCA's Equal Employment Opportunity (EEO) employment percentages are less than the state's percentages:

- Female Technicians (The presence of under-representation in this category is thought to be caused in large part by the small number of employees in this category).
- Female-Official/Administration (This category shows a slight under-representation, less than one percent, for females as compared to the state).
- African American-Official Administration
- African-American Technicians

TDHCA targets recruitment resources that reach out to the workforce in the under-represented categories so that the applicant pool represents the ethnicity and gender to meet EEO goals of the state.

Description of TDHCA Workforce by Ethnicity and Gender

	African American		Hispanic		White		Other		Total	
Equal Employment Opportunities (EEO) Categories*	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
A - Administrators and Officials	-	-	3		9	7	-	-	12	7
P - Professionals	7	22	19	54	31	56	1	6	58	138
T - Technician	3	-	8	2	21	5	-	-	32	7
Q - Para-professionals	1	4	-	6	-	3	-	-	1	13
C - Administrative Support	2	3	0	6	3	2	-	-	5	12
Total by Race/Ethnicity & Gender	13	29	30	68	64	74	1	6	108	177
% of Total by Race/Ethnicity & Gender	5%	10%	11%	24%	29%	26%	.4%	2%	38%	62%
Total by Race/Ethnicity	42		98		138		7		285	
% of Total by Race/Ethnicity	15%		34%		48%		2%			

*A – Administrators and Officials: directors, employees establishing broad policy and exercising responsibility for execution of those policies.

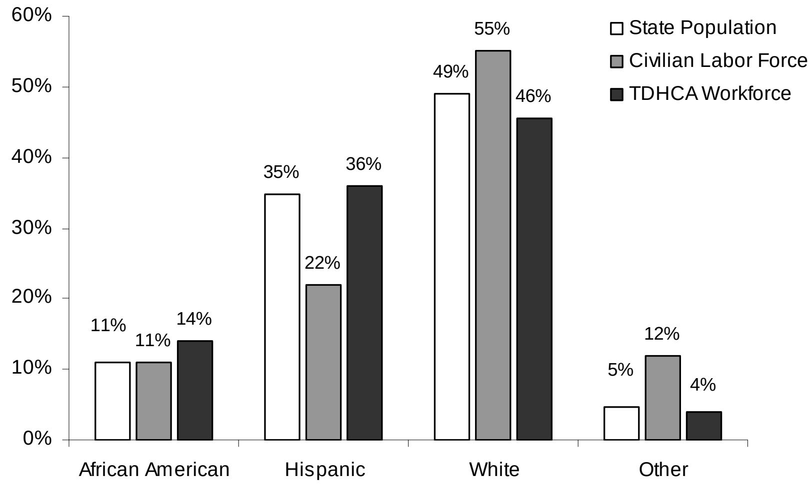
P – Professionals: accountants: systems analysts, attorneys, occupations requiring specialized training or education.

T – Technician: computer technicians, occupations requiring basic scientific or technical knowledge.

Q – Para-professionals: persons performing some of the duties of professionals in a supportive role.

C – Administrative Support: these include clerical payroll clerks, legal assistants, office machine operators, statistical clerks, and bookkeepers.

Comparison of TDHCA Workforce by Race/Ethnicity to State Population and Civilian Workforce



Source: US Census, 2006 American Community Survey; TDHCA Human Resources Data; Uniform Statewide Payroll System (2008 data); and Bureau of Labor Statistics (2004)

TDHCA's workforce is in close correlation to the State population by race and ethnicity.

Comparison of TDHCA EEO and Statewide Employment Statistics

	% African American		% Hispanic		% Females	
Job Category	TDHCA	State	TDHCA	State	TDHCA	State
Officials/Administrators	-	6.6%	16%	14.2%	37%	37.3%
Professionals	15%	8.3%	37.2%	13.4%	70.4%	53.2%
Technicians	7.6%	12.4%	25.6%	20.2%	17.9%	53.8%
Para-Professionals	35.7%	13.8%	42.8%	40.70%	92.8%	39%
Administrative Support	29.4%	11.2%	35.2%	24.10%	70.5%	64.7%

Source: TDHCA Human Resources Data and Bureau of Labor Statistics, Geographic Profile, 2004 for the state of Texas.

Agency Turnover

Percent of Workforce Eligible to Retire

Of the current 285 employees, there are 17 employees or 6 percent who are currently eligible to retire under the "Rule of Eighty". Ten of these employees are from the Manufactured Housing Division and all of these employees work in the field offices as Inspectors. Within the next biennium there will be 11 employees eligible to retire under the "Rule of Eighty". This will be a total of 10 percent employees eligible for retirement.

Of the current 285 employees there will be 8 employees or 3 percent that will be eligible to retire as a result of reaching the age of sixty with five years of service in the next biennium.
Source: Comptroller's Office of Public Accountants

It should be noted that TDHCA currently has six retiree rehires. Management is aware of the impact they will have on the loss of knowledge and skill base and is continually looking at methods to replace this knowledge through:

- Employee Development
- Mentoring Program
- Cross divisional training

Projected Employee Turnover Rate over the Next Five Years

In FY2007 the turnover rate for TDHCA was at its lowest point in comparison to the previous turnover rates. As shown by the chart below, TDHCA's turnover rates have historically been under the state turnover rates and have fluctuated.

Historical Employee Turnover Rate

Entity	FY2003	FY2004	FY2005	FY2006	FY2007
Statewide Turnover	18.2%	42.1%	19.1%	17.9%	19.2%
TDHCA Turnover	16.6%	13.4%	15%	12.5%	8.6%

Source: SAO E-Class as of 4/21/08. Turnover rates include interagency transfers.

Workforce Skills Critical to the Mission and Goals of the Agency

Due to the complexity and shear volume of regulations associated with the many funding programs the Department oversees, a depth of experience and skills are critical to accomplish the mission and goals of the Department that include:

- Mortgage and loan management
- Environmental science
- Underwriting
- Asset Management

Other critical skills the Department's workforce needs in order to effectively accomplish its business functions and provide a high level of customer service include:

- Leadership and management skills
- Analysis/research/planning/problem solving
- Financial management, financial analysis, and accounting expertise
- Knowledge of the legislative system
- Knowledge of the housing market industry
- Mentoring and coaching
- Marketing
- Multi-lingual
- Outreach and technical assistance
- Computer skills ranging from entry level data entry to highly skilled information systems programmers
- Customer service skills

- Investigative/inspection related knowledge
- Sophisticated oral and written communication skills
- Legal analysis

Use of Consultants

To effectively achieve its mission, TDHCA will continue to use consultants and contract workers in areas where their unique skills and experience represents the most effective use of the State's resources. Two divisions that expect the greatest ongoing use of consultants are IS, and Bond Finance.

ISD

TDHCA's Information Systems Division makes limited, targeted use of consultants for approved capital budget projects and software development support. In the current biennium, the Department has employed one contract developer to assist in the support of PeopleSoft Financials 8.8 and two contract developers to help support the Community Affairs Contract System and the Community Development Block Grant module of the Housing Contract System. Additionally, the Department plans to utilize two contract developers for the Manufactured Housing Systems Upgrade, an FY 2008-2009 capital budget project. Consultants are used for projects and support in cases where specialized skills or additional staffing are needed for a specific timeframe.

Bond Finance

Bond Finance uses the following types of consultants:

- Bond Counsel – A nationally recognized law firm or firms experienced in the issuance of mortgage revenue bonds.
- Financial Advisor **–** Typically an investment banking firm experienced in issuance of mortgage revenue bonds.
- Master Servicer/Administrator – A financially sound bank or trust company experienced in tax compliance review and loan servicing for tax-exempt single family mortgage revenue bond programs.
- Disclosure Counsel – A law firm experienced in securities laws particularly as it relates to disclosure of information by securities issuers to the private markets.
- Rating Agencies – A national rating agency which analyzes bond issues and assigns a rating to them to indicate to prospective bondholders the investment quality of the issue.
- Interest Rate Swap Advisor – Primarily monitors interest rate swaps used to hedge single family mortgage revenue bonds.
- Guaranteed Investment Contract Broker – Provides reinvestment services for single family mortgage revenue bond issues, single family commercial paper issues, and/or multifamily mortgage revenue bond issues.

FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

This section describes the Department's future business and staffing outlook. This analysis helps to identify trends, future influences, and challenges for the agency's business functions, new and at-risk business, and workforce composition.

Expected Workforce Changes Driven by Factors such as Changing Missions, Goals, Strategies, Technology, Work, Workloads, and Work Processes

A. Expected Workforce Changes

- Increase in workload of Uniform Physical Condition Inspections of multifamily housing units
- Increase in workload of compliance monitoring of multifamily housing units
- Retirement of employees with significant institutional knowledge and expertise
- Increased emphasis on technology upgrades to better serve the Department and it's customers
- Increased diversity in employee background, characteristics, and demographics
- Decrease in the CDBG disaster recovery staff as funds are expended
- Difficulty in attracting and retaining qualified applicants for certain positions that are impacted by the compensation compare to the private sector

Future Workforce Skills Needed

In addition to those skills described above in the "Workforce Skills Critical to the Mission and Goals of the Agency" section it is expected that the following skills will also be needed:

- Recruitment of multilingual employees to assist customers, translate documents, provide assistance at public hearings, conduct roundtables and gather public comment.
- As the Department continues to use technology to provide services to the Department and customers this will require advanced computer skills in systems design and analysis, web design and development, and the willingness to learn how to use more advanced technology systems.
- The PMC Division will need skilled inspectors to conduct multifamily housing units.
- Because of the projected retirement of employees within the next biennium the Department will need to recruit for highly skilled and experienced employees.

Anticipated Increase or Decrease in the Number of Employees Needed to Do the Work

It is anticipated that at least 4 additional FTEs will be needed to perform the work in the portfolio management and physical inspections unit within the PMC Division. Other workforce demands will be addressed with the current FTEs allocated to the Department. The Department does not expect a decrease in FTE's and any change in increased work loads will be addressed through streamlining of process and optimum use of technology.

Anticipated Use of Consultants

It is anticipated that the IS and Bond Finance divisions will continue to use consultants to complete their ongoing work in the roles above described in the Current Workforce profile section.

GAP ANALYSIS

Anticipated surplus or shortage of employees

Based on the workforce analysis it is anticipated there will be a shortage of institutional knowledge, skills and experience due to projected retirements. It is also anticipated that there may be a shortage of skilled inspectors for the Manufactured Housing Division based on the projected retirements for the field offices. The Manufactured Housing Division will need to determine how to fill Field Inspector positions and Field Management positions. The Department does not anticipate a surplus of employees.

Anticipated surplus or shortage of skills

Due to the changing workforce of the Department it is anticipated that there may be a shortage of the following skills:

- Employees with valued institutional knowledge, program knowledge, expertise, and experience
- IS staff with advanced technological skills and the ability to identify changing needs of the technology for the Department.
- Key management positions with the knowledge and skills to carry out the mission, goals and objectives of the Department
- Employees with skills to manage and work with a diverse and multi-generational working environment

STRATEGY DEVELOPMENT

This section describes strategies for workforce transition.

Specific Goals to Address Workforce Competency Gaps or Surpluses

To plan for TDHCA's future workforce needs, the following goals have been developed.

Gap	**Retention of institutional knowledge, program knowledge, expertise and experience**
Goal	To retain a workforce of institutional knowledge, program knowledge, expertise, and experience
Rationale	• There are 11 employees eligible to retiree that are within the

	Manufactured Housing Division and have extensive knowledge and skills as Inspectors • Transferring the knowledge of employees who are eligible to retire is critical to developing a skilled and experienced workforce • To develop and train staff to fill positions through attrition • To maintain a workforce that can carry out the mission, goals and objectives of the Department
Action Steps	• Work with senior management to identify key positions in their divisions and determine critical competencies and skills needed for those positions and how senior management will develop or recruit for these positions • Provide employee training to develop critical skills needed • Encourage management to provide employees who are seeking new challenges with opportunities for cross/rotational training • Implement the approved Mentoring Program • Encourage experienced employees to participate in the mentoring program • Encourage management to create training and development plans to increase competency in those employees that have demonstrated the potential and interest to assume higher level positions as vacancies occur • Establish recruitment resources that market specific to the housing industry to gain a diverse pool of applicants • Work with senior management to fill critical positions quickly • Continue to conduct the Organizational Excellence Survey to determine trends in employee satisfaction and address areas or trends that could be affecting employee turnover • Provide diversity training for Department staff periodically • Provide staff with flextime, telecommuting and other avenues to balance work and family needs.

Gap	**IS staff with advanced technology skills**
Goal	To provide the Department with technology that will increase efficiency of information for customers and staff, increase customer satisfaction, and provided streamlining of technology based programs
Rationale	• Training is needed to stay current with emerging technology

	There are increased requests for changes to IT systems to betters serve our customers and staff
Action Steps	• Continue to develop IT staff • Determine anticipated changes needed to systems and allow for training and staff development of new technologies • Cross functional training of IT staff • Develop plans for future needs of the Department web-based programs

Gap	**Key management positions with the knowledge and skills to carry out the mission, goals and objectives of the Department**
Goal	Develop a succession plan to identify key management positions and develop an applicant pool of potential candidates to fill these management positions
Rationale	Management in key positions is essential to carry out the goals and mission of the Department without interruption to the program areas
Action Steps	• Encourage employees currently in a Team Leader, Project Manager and Manager positions to attend training to increase leadership and management skills. • Promote employees when opportunities present themselves. • Conduct 360 surveys of management staff to identify gaps in leadership skills and focus on improving those skills • Identify key skills needed for key management positions and provide training opportunities, rotational/cross functional training Encourage management to mentor employee with the potential and desire for leadership roles

Gap	**Employees with skills to manage and work with a diverse and multi-generational working environment**
Goal	Ability to manage and lead a diverse workforce and continue to carry out the mission and goals of the Department
Rationale	As the workforce continues to change there is an increase in multi-generational and diverse backgrounds entering the workforce. Employees will need to be able to work with and manage people with differing opinions and work ethics and continue to recruit and retain employees
Action Steps	• Provide multi-generational training to employees and how to work as a team with differing views.

	• Conduct team building retreats • Continue to celebrate multi-cultural events at the Department to promote diversity and an opportunity for staff to participate in these events

APPENDIX G. SURVEY OF ORGANIZATIONAL EXCELLENCE RESULTS AND UTILIZATION PLANS

Employees' Attitudes and Possibilities for Change

In February of 2008, TDHCA participated in the Survey of Organizational Excellence sponsored by the University of Texas with a response rate of 85 percent. This survey forms the basis of the following observations concerning TDHCA's strengths and weaknesses according to the employees of the Department:

In reviewing the following sections, the following scoring categorizations are useful:

- Scores of 400 or higher indicate areas of substantial strength.
- Scores above 300 indicate employees perceive the issue more positively than negatively.
- Scores below 300 indicate employees perceive the issue more negatively than positively.
- Scores below 200 indicate areas of concern for the Department. They should receive immediate attention. No items in the TDHCA survey scored below the 200 range.

In comparison to the 2005 Survey or Organizational Excellence the Department scores improved. The chart below shows the comparison of scores for 2005 versus 2008. All the scores increased in 2008 with the exception of one score that remained the same.

Score Legend

♦	5 highest scores
◊	5 lowest scores

CONS#	CONSTRUCT NAME	SCORE 2005	SCORE 2008	POINTS DEVIATED
1	Supervisor Effectiveness	◊ 330	◊ 348	+18
2	Fairness	343	362	+19
3	Team Effectiveness	◊ 327	◊ 345	+18
4	Diversity	342	364	+22
5	Fair Pay	◊ 274	◊ 302	+28
6	Physical Environment	♦ 377	♦ 377	Same
7	Benefits	359	373	+14
8	Employment Development	352	♦ 377	+25
9	Change Oriented	◊ 334	◊ 348	+14
10	Goal Oriented	346	362	+16
11	Holographic	343	353	+10
12	Strategic	♦ 384	♦ 386	+2
13	Quality	♦ 375	♦ 388	+13
14	Internal	◊ 326	◊ 333	+7
15	Availability	♦ 369	373	+4
16	External	♦ 373	♦ 376	+3
17	Job Satisfaction	362	367	+5
18	Time and Stress	356	368	+12
19	Burnout	358	368	+10
20	Empowerment	351	362	+11

Areas of Strength

The Department's strengths lie in the perception employees have according to the following: Qualify, Strategic, Physical Environment, Employee Development, and External. They are discussed below in the order of scores received, from highest to lowest.

- ***Quality (388):*** Describes the degree to which the quality principles, such as customer service and continuous improvement are a part of the organizational culture.
- ***Strategic (386):*** This reflects employees' thinking about how the Department's Strategic Orientation culture responds to external influences that should a play a role in defining the mission, vision, services and products. This implies the ability of the Department to seek out and work with relevant external entities.
- ***Physical Environment (377):*** Describes the employees' perceptions of the total work atmosphere and the degree to which employees believe it is a "safe" working environment. This category addresses the "feel" of the workplace as perceived by the employee.

Note: The surveying effort occurred after the Department's move to a new building with substantially different working environment and parking situation.

- ***Employee Development: (377)*** This category is an assessment of the priority given to employee's personal and job growth. It provides insight into whether the culture of the organization sees human resources as the most important resource or as one of many resources. It directly addresses the degree to which the organization is seeking to maximize gains from investment in employees.
- ***External (376):*** This category looks at how information flows into the Department from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of Department staff to synthesize and apply external information to work performed by the Department.

Areas of Concern

Areas where TDHCA did not score as high were Fair Pay, Internal Communication, Team Effectiveness, Supervisor Effectiveness, and Change Orientation issues as described below from lowest score to highest scores. While Fair Pay is the lowest score, it is still viewed as more positive than negative.

- ***Fair Pay (302)***: Fair Pay is a common negative perception across most, if not all, state agencies. This category addresses perceptions of the overall compensation package offered by the Department. It describes how well the compensation package "holds up" when employees compare it to similar jobs in other organizations.
- ***Internal (333):*** This captures the flow of communication within the Department from the top down, bottom up, and across divisions. It addresses the extent to which communication exchanges are open and candid and move the Department toward goal achievement.
- ***Team Effectiveness (345):*** This describes employees' perceptions of the people within the Department with whom they work on a daily basis to accomplish their jobs (the work group or team). Also, it gathers data about how effective employees think their work

group is as well as the extent to which the Department's environment supports cooperation among employees.

- ***Supervisor Effectiveness (348):*** This category provides insight into the nature of supervisory relationships in the Department, including the quality of communications, leadership, thoroughness, and fairness that employees perceive exists between supervisors and them. This category helps organizational leaders determine the extent to which supervisory relationships are a positive element of the organization.
- ***Change Oriented (348)*****:** This category describes employees' perceptions of the Department's capability and readiness to change based on new information and ideas. It also addresses the Department's aptitude to process information timely and to act upon it effectively. Most importantly, it also examines the organization's capacity to draw upon, develop, and utilize the strengths of all in the Department for improvement.

Strategies for Improvement

The Department will continue to capitalize on the information derived from the 2008 Survey of Organizational Excellence.

<u>Improving Areas of Concern</u>

- ***Fair Pay***: While Fair Pay continues to be the lowest scoring category for the Department this category has improved based on the last survey score. There have been many ways the Department has addressed fair pay to include:
  - Review of all pay actions for equity among similar positions.
  - Providing each Division Director with equity reports for the division and an equity report for Department positions.
  - A Department-wide classification audit was conducted by the State Auditor's Office to determine misclassifications for the Department. There were only 8 positions that needed to be reclassified as part of this audit. The Department requires that employee classifications be reviewed during each employee annual performance review to ensure that position classifications are appropriate.
  - The Department participated in a National Housing Organization Compensation Survey. This survey allows the Department to review salaries of other similar positions in comparison to Department salaries.

<u>Enhancing Strengths</u>

- The Department is committed to instilling a culture of diversity, transparency, professionalism, and integrity. The Department will continue to analyze organizational development through review of program organizational structure to ensure that processes and program goals and objectives are being met with the most streamlined measures and are functioning effectively and efficiently.
- The Department will continue to have open communications with staff and will promote an environment that allows employees to improve their skills and abilities through continuing education, external training, in-house training, and other training resources as needed.

APPENDIX H. HISTORICALLY UNDERUTILIZED BUSINESS PLAN

GOAL

The Texas Department of Housing and Community Affairs strives to provide procurement and contracting opportunities for all businesses, with efforts to maximize inclusion of minority and women owned businesses.

OBJECTIVE

The Department shall make a good faith effort to maximize the award of goods and services to HUBs in all facets of contracting, subcontracting, and purchases. Through all reasonable means, the Department strives to award procurement and subcontracting opportunities to minority and women owned businesses.

STRATEGY

The following programs have been developed and are part of TDHCA's good faith effort to achieve these goals:

- HUB Orientation/Assistance Package
- Actively participate in Economic Opportunity Forums (EOFs) enhancing the vendor knowledge of procurement opportunities at the Department.
- Utilization of the Electronic State Business Daily web-site provides opportunity to all HUBs and HUB subcontractors to acquire and participate in the Department's bid opportunities.
- Multiple Awards of single requisitions to enhance HUB vendor participation.
- Specifications, delivery dates, and guidelines are reasonable and concise.
- Ensuring that specifications and terms and conditions reflect the actual needs.
- Inclusion of contractors with reference list of Certified HUBs for subcontracting opportunities.
- Ensuring subcontracting plans are appropriately and accurately included in services and commodities contracts of which the value exceeds $100,000. Evaluation of the contractor compliance with subcontracting plans as applicable in contracts of $100,000 or greater.

OUTPUT MEASURES

Table I. HUB Goals and TDHCA Performance

Category	TDHCA Performance		TDHCA Goals for 2008
	2006	2007	
Heavy Construction	N/A	N/A	N/A
Building Construction	N/A	N/A	N/A
Special Trades Contracts	100%	N/A	20.0%
Professional Services Contracts	32.8%	39.9%	15.0%
Other Services Contracts	36.9%	60.2%	25.0%
Commodities Contracts	75.2%	85.9%	25.0%
Grand Total HUB Participation	42.6%	62.1%	

Table II. TDHCA Performance – Fiscal Year 2006

Category	TDHCA Performance		Percentage Spent With HUBS	Statewide Goal
	Total Dollar Amount Spent	Total Dollar Amount Spent With HUBS		
Heavy Construction	N/A	N/A	N/A	11.9%
Building Construction	N/A	N/A	N/A	26.1%
Special Trades Contracts	4,950.00	4,950.00	100%	57.2%
Professional Services Contracts	219,408.00	72,000.00	32.8%	20.0%
Other Services Contracts	2,648,163.00	979,327.00	36.9%	33.0%
Commodities Contracts	519,326.00	390,941.00	75.2%	12.6%
Grand Total Expenditures	3,391,848.00	1,447,218.00	42.6%	

B. TDHCA Performance – Fiscal Year 2007

Category	TDHCA Performance		Percentage Spent With HUBS	Statewide Goal
	Total Dollar Amount Spent	Total Dollar Amount Spent With HUBS		
Heavy Construction	N/A	N/A	N/A	11.9%
Building Construction	N/A	N/A	N/A	26.1%
Special Trades Contracts	N/A	N/A	N/A	57.2%
Professional Services Contracts	212,149.00	84,700.00	39.9%	20.0%
Other Services Contracts	1,974,614.00	1,189,822.00	60.2%	33.0%
Commodities Contracts	354,762.00	304,877.00	85.9%	12.6%
Grand Total Expenditures	2,541,526.00	1,579,399.00	62.1%	

External/Internal Assessment

TDHCA continues to increase the use of HUBs through education of staff on procurement policy rules and procedures; through aggressively recruiting and educating prospective HUB businesses; assisting HUBs with the state HUB Certification program; and participation in EOFs with other state entities, local and federal entities and elected officials. Through participation in these Forums, TDHCA has developed new vendor relationships and continues to pursue new avenues for HUB participation. TDHCA has established and exceeded the previous years goals for procurement from HUB and subcontracting of HUB vendors.

APPENDIX I. LIST OF ABBREVIATIONS

AMFI	Area Median Family Income
CDBG	Community Development Block Grant
CEAP	Comprehensive Energy Assistance Program
CFNP	Community Food and Nutrition
CHDO	Community Housing Development Organization
CPA	Texas Comptroller of Public Accounts
CSBG	Community Services Block Grant
DADS	Texas Department of Aging and Disability Services
DHHS	US Department of Health and Human Services
DOE	US Department of Energy
DOT	US Department of Transportation
EEO	Equal Employment Opportunity
ELI	Extremely Low Income
FTE	Full-Time Employee
FY	Fiscal Year
GR	General Revenue
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons with AIDS
HTC	Housing Tax Credit
HTF	Housing Trust Fund
HUB	Historically Underutilized Business
HUD	US Department of Housing and Urban Development
IS	Information Systems
LAN	Local Area Network
LBB	Legislative Budget Board
LI	Low Income
LIHEAP	Low Income Home Energy Assistance Program
MFB	Multifamily Bond
MI	Moderate Income
MSA	Metropolitan Statistical Area
OCI	Office of Colonia Initiatives
ORCA	Office of Rural Community Affairs
PHA	Public Housing Authority
PJ	Participating Jurisdiction
PMC	Portfolio Management and Compliance
RAF	Regional Allocation Formula
SAO	State Auditor’s Office
SOL	Statement of Ownership and Location
SOP	Standard Operating Procedure
TDHCA	Texas Department of Housing and Community Affairs
TSAHC	Texas State Affordable Housing Corporation
TSDC	Texas State Data Center
USDA	US Department of Agriculture
VLI	Very Low Income
WAN	Wide Area Network
WAP	Weatherization Assistance Program

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of HOME Investment Partnerships Tenant-Based Rental Assistance Award Recommendations.

Requested Action

Approve, Deny or Approve with Amendments the HOME Tenant-Based Rental Assistance Award Recommendations.

Background and Recommendations

Summary

On December 20, 2007 the Board approved a Tenant Based Rental Assistance (TBRA) Notice of Funding Availability (NOFA) which made available approximately $3 million dollars of deobligated and uncommitted HOME Funds. The NOFA was published in the *Texas Register* on January 4, 2008. Applications were accepted until 5:00 p.m. Friday, May 30, 2008.

The Tenant-Based Rental Assistance Program provides 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. The NOFA limited administrative funds to 4% of the contract project award for the Tenant-Based Rental Assistance activity.

On May 8, 2008 the Board approved 6 TBRA applications for funding, totaling $1,027,412 in project funds, $41,097 in administrative funds, and projecting to serve 109 households, leaving a remaining balance of $1,972,588 of the original $3 million dollar TBRA NOFA. Seven additional TBRA applications totaling $1,559,650 in project fund requests have since been received by the Department. Two of the 7 additional applications have been reviewed and processed. The remaining five applications are being reviewed and may be presented for funding recommendation at the July Board Meeting. The final application deadline date for this NOFA was May 30, 2008 and attached is an application log reflecting all applications received in response to this NOFA.

Staff has provided a brief description of the applicants being recommended for an award below:

<u>Christian Community Action (CCA)</u> was founded in 1973 to serve the needs of poor families and individuals in the North Texas area. CCA currently offers more than 30 services to the poor in the following areas: (1) affordable housing, (2) health care, (3) vocational training, (4) family assistance, (5) food distribution and (6) seasonal services. Since 1993, CCA has expanded its

affordable rental services to include 28 units in 2 separate housing developments in Lewisville. CCA not only has experience in planning, building and managing units, it also has rental based experience. For over 30 years, CCA has provided tenant-based rental assistance to the poor. CCA has managed Emergency Shelter Grants, Community Development Block Grant programs and United Way Emergency Assistance grants, as well as having experience with the HOME Investment Partnerships Program, Federal Home Loan Bank and the Denton County Housing Finance Corporation.

Burke Center is located in Lufkin, Texas and has a service area encompassing 12 counties in Region 5. The Burke Center has assisted individuals who have mental disabilities with rental assistance for twelve years. The Burke Center administered a rental assistance program through a direct grant from HUD in the amount of $1,701,000. The Burke Center has administered three HOME TBRA contracts totaling $1,101,151 and assisted 197 households for persons with disabilities. Currently, the Burke Center has two active TBRA Contracts in the amount of $275,000 each and has committed funds to assist a total of 74 households for persons with disabilities. Both contracts are meeting performance requirements. Burke Center has a lengthy waiting list, which indicates a continuing need in their service area.

Funding Recommendation Methodology

These funds are not subject to the Regional Allocation Formula since they are made available from uncommitted and deobligated funds. Applications are being processed utilizing the open cycle method and as described in the NOFA. The applications that are being recommended have passed all eligibility and threshold requirements.

The applications have also been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance have been identified. Staff will verify during a second compliance review at contract generation that there are no unresolved audit findings, questioned or disallowed costs, and performance issues identified at that time. These applications are recommended for funding under the 2008 HOME Program Rule.

If the above recommendations are approved, a balance of $1,385,238 will remain to be utilized for consideration of the 5 applications received and totaling $972,300.

Attached:

- 2007 HOME TBRA NOFA – Award Recommendations; and,
- 2007 HOME TBRA NOFA - Application Log.

Recommendation

Staff recommends approval of Christian Community Action (CCA) and Burke Center for a HOME TBRA Program award. Staff also recommends approval of four percent (4%) of total project funds awarded for program administration.

2007 HOME TBRA NOFA Award Recommendations

Sorted by date/time received

App number	Received Date	Time Received	Applicant	Region	Project Funds Recommended	Admin Funds Recommended	Total Units	Comments
2008-0042	5/6/2008	4:58 PM	Christian Community Action	3	$300,000	$12,000	22	Pending Award
2008-0053	5/28/2008	10:05 AM	Burke Center	5	$287,350	$11,494	32	Pending Award
			Total Recommended:		**$587,350**	**$23,494**	**54**	

2007 HOME TBRA NOFA - Application Log

Sorted by date/time received

Total NOFA Amount - $3,000,000

**Total Amount Available: $1,972,588*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0007	2/15/2008	12:00 PM	Ellis Community Resources Inc.	9	$300,000	$12,000	28	$300,000	$12,000	28	Awarded 5/8/2008
2008-0016	2/28/2008	12:34 PM	Spindletop MHMR Services	5	$163,700	$6,548	25	$163,700	$6,548	25	Awarded 5/8/2008
2008-0024	3/17/2008	2:08 PM	Affordable Caring Housing, Inc.	4	$152,472	$6,099	15	$152,472	$6,099	15	Awarded 5/8/2008
2008-0025	3/18/2008	1:13 PM	Special Health Resource for Texas, Inc.	4	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0027	3/24/2008	10:43 AM	Affordable Caring Housing, Inc.	3	$42,864	$1,715	4	$42,864	$1,715	4	Awarded 5/8/2008
2008-0028	3/24/2008	3:07 PM	Affordable Caring Housing, Inc.	6	$68,376	$2,735	7	$68,376	$2,735	7	Awarded 5/8/2008
2008-0042	5/6/2008	4:58 PM	Christian Community Action	3	$300,000	$12,000	22	$300,000	$12,000	22	Pending Award
2008-0046	5/7/2008	12:00 PM	Buckner Children and Legal Services	5	$250,000	$10,000	20				Under Review
2008-0047	5/15/2008	12:00 PM	Affordable Housing of Parker County, Inc.	3	$217,800	$8,712	15				Under Review
2008-0049	5/27/2008	10:35 AM	Combined Community Action, Inc.	7	$150,000	$6,000	15				Under Review

This amount reflects $3,000,000 in funds made available in the NOFA less awards approved by the Board.

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0050	5/27/2008	10:48 AM	Combined Community Action, Inc.	6	$80,000	$3,200	10				Under Review
2008-0053	5/28/2008	10:05 AM	Burke Center	5	$287,350	$11,494	32	$287,350	$11,494	32	Pending Award
2008-0055	5/29/2008	10:08 AM	Center for Health Care Services	9	$274,500	$10,980	12				Under Review
				Totals:	**$2,587,062**	**$103,483**	**235**	**$1,614,762**	**$64,591**	**163**	

This amount reflects $3,000,000 in funds made available in the NOFA less awards approved by the Board.

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of HOME Investment Partnerships Homebuyer Assistance Award Recommendations.

Requested Action

Approve, Deny or Approve with Amendments the HOME Homebuyer Assistance Award Recommendations.

Background and Recommendations

Summary

On December 20, 2007 the Board approved a Homebuyer Assistance (HBA) Notice of Funding Availability (NOFA) which made available approximately $6 million dollars of deobligated and uncommitted HOME and American Dream Downpayment Initiative (ADDI) funds. The NOFA was published in the *Texas Register* on January 4, 2008. Funds were made available subject to the Regional Allocation Formula (RAF) until March 3, 2008. On March 4, 2008, any funds not awarded were made available statewide. The final deadline to receive applications under this NOFA was 5:00 p.m. Friday, May 30, 2008.

The Homebuyer Assistance Program provides assistance to 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.

On May 8, 2008 the Board approved 15 HBA applications for funding, totaling $3,396,081 in project funds, $135,844 in administrative funds, and projecting to serve 363 households, leaving a remaining balance of $2,603,919 of the original $6 million dollar HBA NOFA. Seven additional HBA applications totaling $1,650,000 have since been submitted for review. Two of the seven additional applications have been reviewed and processed. The remaining five applications are being reviewed and may be presented for funding recommendation at the July Board Meeting. Following is a summary of the applications. The final application deadline date for this NOFA was May 30, 2008 and attached is an application log reflecting all applications received in response to this NOFA.

Staff has provided a brief description of the applicants being recommended for an award below:

<u>The City of La Feria</u> has been the recipient of several grants over the years, including Texas Capital Fund Grants and a previous TDHCA HBA Contract in the amount of $200,000 which assisted 10 homebuyers with downpayment and closing costs assistance. The City has a staff with considerable experience in administering grant programs, project monitoring, and reporting.

The City of La Feria exhibited in their application that they have the financial experience and organizational capacity to oversee the administration of the proposed Homebuyer Assistance program.

Midland Habitat for Humanity (MHFH), a non-profit corporation, builds homes for low income families residing in substandard housing. MHFH provides an opportunity for families to build and purchase their homes with no profit added. Zero percent loans are provided for the life of the loan. Additionally, MHFH seeks to provide home ownership training to facilitate transition from tenancy to home ownership. Since 1991, MHFH has completed 77 homes, housing over 300 people, many of them children. Midland Habitat for Humanity has previously administered a HOME HBA Contract in the amount of $40,000 and assisted 5 households.

Funding Recommendation Methodology

These funds were subject to the Regional Allocation Formula (RAF) for applications received through March 3, 2008. Applications received from March 4, 2008 through May 30, 2008 were not subject to the RAF and available on a statewide basis.

Applications are being processed utilizing the open cycle method and as described in the NOFA. The applications that are being recommended have passed all eligibility and threshold requirements.

The applications have also been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance have been identified. Staff will verify during a second compliance review at contract generation that there are no unresolved audit findings, questioned or disallowed costs, and performance issues identified at that time. These applications are recommended for funding under the 2008 HOME Program Rule.

If the above recommendations are approved, a balance of $2,223,919 will remain to be utilized for consideration of the 5 applications received and totaling $1,270,000.

Attached:

- 2007 HOME HBA NOFA – Award Recommendations; and,
- 2007 HOME HBA NOFA - Application Log.

Recommendation

Staff recommends approval of the City of La Feria and Midland Habitat for Humanity (MHFH) for a HOME HBA Program award. Staff also recommends approval of four percent (4%) of total project funds awarded for program administration.

2007 HOME HBA NOFA Award Recommendations

Sorted by date/time received

App number	Received Date	Time Received	Applicant	Region	Project Funds Recommended	Admin Funds Recommended	Total Units
2008-0035	4/29/2008	3:49 PM	Midland Habitat for Humanity	12	$80,000	$3,200	8
2008-0045	5/19/2008	12:37 PM	City of La Feria	11	$300,000	$12,000	30
				Total Recommended:	**$380,000**	**$15,200**	**38**

2007 HOME HBA NOFA - Application Log

Sorted by date/time received

Total NOFA Amount - $6,000,000

**Total Amount Available: $2,603,919*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0006	1/2/2008	12:00 PM	El Paso Collaborative for Community and Economic Development	13	$192,014	$8,001	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0008	1/15/2008	3:13 PM	Southeast Texas HFC	6	$174,842	$6,993	18	$174,842	$6,994	18	Awarded 5/8/2008
2008-0003	2/7/2008	12:00 PM	Cameron County Housing Finance Corporation	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0004	2/7/2008	12:00 PM	City Of Paris	4	$200,000	$8,000	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0002	2/7/2008	12:00 PM	Community Development Corporation of Brownsville	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0005	2/14/2008	12:00 PM	Southeast Texas HFC	6	$251,239	$10,049	28	$251,239	$10,050	28	Awarded 5/8/2008
2008-0012	2/27/2008	12:12 PM	San Benito Housing Authority	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 5/8/2008
2008-0013	2/27/2008	1:42 PM	City of Hughes Springs	4	$150,000	$6,000	15	$150,000	$6,000	15	Awarded 5/8/2008
2008-0014	2/28/2008	10:22 AM	City of Nash	4	$250,000	$10,000	25	$250,000	$10,000	25	Awarded 5/8/2008
2008-0015	2/28/2008	10:27 AM	Travis County Housing Finance Corporation	7	$300,000	$12,000	40	$300,000	$12,000	40	Awarded 5/8/2008
2008-0017	2/29/2008	8:51 AM	City of Midland	12	$100,000	$4,000	10	$100,000	$4,000	10	Awarded 5/8/2008

This amount reflects $6,000,000 in funds made available in the NOFA less awards approved by the Board.

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0018	2/29/2008	9:37 AM	City of Bay City	6	$250,000	$10,000	25	$250,000	$10,000	25	Awarded 5/8/2008
2008-0019	2/29/2008	10:42 AM	Temple Housing Authority	8	$120,000	$4,800	12	$120,000	$4,800	12	Awarded 5/8/2008
2008-0023	3/3/2008	3:28 PM	City of McKinney	3	$300,000	$12,000	40	$300,000	$12,000	40	Awarded 5/8/2008
2008-0030	4/1/2008	2:49 PM	City of Terrell	3	$200,000	$12,000	20	$200,000	$8,000	20	Awarded 5/8/2008
2008-0032	4/17/2008	10:45 AM	FUTURO Communities, Inc.	11	$300,000	$12,000	30				Under Review
2008-0033	4/21/2008	12:00 PM	Organization Progresiva de San Elizario	13	$110,000	$4,400	11				Under Review
2008-0034	4/22/2008	12:00 PM	Community Council of Southwest Texas, Inc.	11	$500,000	$20,000	50				Under Review
2008-0035	4/29/2008	3:49 PM	Midland Habitat for Humanity	12	$80,000	$3,200	8	$80,000	$3,200	8	Pending Award
2008-0045	5/19/2008	12:37 PM	City of La Feria	11	$300,000	$12,000	30	$300,000	$12,000	30	Pending Award
2008-0057	5/29/2008	4:03 PM	El Paso Credit Union HOAP Inc.	13	$300,000	$0	30				Under Review
2008-0054	5/30/2008	2:01 PM	Hill Country Home Opportunity Council, Inc.	9	$60,000	$2,400	6				Under Review
				Totals:	**$5,038,095**	**$193,843**	**528**	**$3,776,081**	**$151,044**	**401**	

***This amount reflects $6,000,000 in funds made available in the NOFA less awards approved by the Board.**

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program Rental Housing Development Program award recommendation.

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program Rental Housing Development Program award recommendation.

Background and Recommendations

In July 2007 the Board approved the HOME Rental Housing Development Notice of Funding Availability (NOFA) which made available $15 million to be utilized for qualified applicants to develop affordable rental housing**.** Subsequent to the publication of the NOFA and at the December 2007 meeting, the Board amended the NOFA to reflect changes necessitated by the final adopted HOME Program Rule. The Department released and published the amended NOFA in December 2007. At the May 2008 board meeting, the Board approved an increase of $12,000,000 to the total amount of funds available under this NOFA. The NOFA allowed applicants to apply for funding on a statewide first-come, first-served basis and the application deadline was June 2, 2008. The Department has received 35 applications for funding requests totaling $33,257,533. Staff reported 34 applications received at the May 2008 board meeting, however, two of the applications did not submit appropriate documentation to be considered for a funding request for HOME funds. Of the 35 applications received, one application was withdrawn, three applications have been terminated, one application has been awarded, three applications for HOME-only were received since the May 2008 Board meeting and prior to the June 2, 2008 deadline, two applications have requested only HOME funds and are under review, and one application is being recommended for a HOME-only award today which is not layered with a housing tax credit request. The remaining 24 applications received include a housing tax credit allocation request and are continuing to be reviewed for possible award recommendations in conjunction with the tax credit awards at the July 2008 board meeting.

As mentioned above, one of the applications has requested only HOME funds and has completed all three phases of the application review process in accordance with the HOME Program Rule and the eligibility and threshold criteria established in the NOFA.

The Real Estate Analysis (REA) Division has evaluated the application and the underwriting Report is attached. The report reflects that the proposed transaction is feasible if a significant portion of the debt is allowed to be in the form of a grant or forgivable loan and is recommended under that assumption. The report conditions the recommendation on, among other things, documentation of a resolution from the City of Johnson City identifying the cost and committing to pave the unpaved portion of North Winters Drive in front of the site or the retainage of developer fee in an amount equal to the cost of the paving until the road is paved, receipt and acceptance of a noise study or explanation of why a noise study is no longer needed. The

Applicant has also requested a waiver of 10 TAC §53.47 (a)(6), which would allow HOME funds to be awarded in excess of the $3,000,000 program limit to $3,250,000. If the board chooses not to approve the waiver of the HOME rule, the applicant has requested to receive an award from the Housing Trust Fund to finance the $250,000 that is in excess of the limitation of $3,000,000 in HOME funds. In December 2007, the applicant applied for $250,000 in response to the Housing Trust Fund Rental Production Program NOFA and has been the only application received in response to that NOFA. As discussed at the May 2008 Board meeting, using funds from both programs would increase the long term administrative burden on the property and on the Department with limited public purpose.

The application being recommended for approval has been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance were identified. All applicants approved by the Board for an award will receive written agreements that reflect all conditions listed in the final underwriting report and any additional conditions deemed appropriate by the Department or Board. Staff will verify during a second compliance review at contract generation that there are no unresolved audit findings and questioned or disallowed cost prior to execution of the written agreement.

Award Recommendations

Application Number	**Applicant Name**	**Project Funds Recommended**	**Number of Units**
07346	Creek View Apartments	$3,250,000*	48
	Total	**$3,250,000**	**48**

* Pending waiver of the $3,000,000 award limit.

Attached:

- Waiver Request from Applicant;
- HOME Rental Housing Development Program Award Recommendations;
- HOME Rental Housing Development Program Application Log;
- Applicant Evaluation; and
- Underwriting Report.

Recommendation

Staff recommends approval of Creek View Apartments for a HOME Investment Partnerships Program Rental Housing Development Program award in the total amount of $3,250,000 including a waiver of TAC §53.47 (a)(6).

State Street Housing Advisors, L.P.

Affordable Housing Consulting Services

June 6, 2008

Via email to: ***michael.gerber@tdhca.state.tx.us***

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 E. 11TH Street
Austin, Texas 78701

Re: Creek View Apartments #07346 – Waiver request

Dear Mr. Gerber:

I am writing to request a waiver of the $3,000,000.00 per development HOME maximum for the above referenced application on behalf of my client the Texas Housing Foundation.

On May 8th, 2008 the TDHCA Board granted our appeal of the termination of the above referenced application. In the discussion granting the appeal the Board was also clear that they would like to see the development funded exclusively with HOME funds rather than a combination of HOME and HTF funds. What the board failed to realize is that using only HOME funds to fund this development would require more than the $3,000,000 per development maximum specified in the HOME NOFA. In order to accommodate the boards clear direction, we respectfully request a waiver of the $3,000,000.00 maximum per development in order to use $3,250,000.00 in HOME funds for this transaction.

Should the staff and board decide not to grant this waiver, we request the approval of the original structure with $3,000,000 in HOME funding and $250,000 in HTF.

Additionally underwriting staff asked for proposed structure and terms of the loan. We propose the following repayment terms for the loan:

- Zero interest
- 40 year term
- Fully repayable with the following principal repayment schedule
    - $62,500 annually in years 1-10
    - $72,500 annually in years 11 – 20
    - $95,000 annually in years 21 – 40

We believe these are realistic repayment terms for the full repayment of the HOME loan over a term consistent with the NOFA.

Should you have any questions regarding this request or need additional clarification, please feel free to call or email me at 214.346.0707 or jspicer@statestreethousing.com.

Very truly yours,

Jeffrey S. Spicer

cc: Cameron Dorsey
Tom Gouris
Barbara Skinner
Mark Mayfield
Steve Nash

HOME Rental Housing Development Program Award Recommendations
Sorted by Date and Time Received

Monday, June 16, 2008

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Recommended Project Funds	Status
07346	7	12/13/2007	12:00 PM	Creek View Apartments	Johnson City	NC	28	28	Family	No	No	Yes	$3,250,000	$3,250,000	Pending Award
						Unit Totals:	**28**	**28**		Fund Totals:			**$3,250,000**	**$3,250,000**	

Total HOME Applications **1**

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

HOME Rental Housing Development Program - Application Log
Sorted by Date and Time Received

Tuesday, June 17, 2008

Total Amended NOFA Amount - $27,000,000

***Funds Available: $25,881,020**

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08405	7	11/8/2007	4:49 PM	Sierra Ridge Apartments	Georgetown	NC	16	188	General	No	Yes	No	$2,000,000		Under Review
08257	8	11/20/2007	3:10 PM	Constitution Court	Copperas Cove	NC	45	108	General	Yes	No	No	$2,900,000		Under Review
07346	7	12/13/2007	12:00 PM	Creek View Apartments	Johnson City	NC	28	28	Family	No	No	Yes	$3,250,000	$3,250,000	Pending Award
08406	3	2/8/2008	2:32 PM	Woodland Park at Weatherford	Weatherford	NC	17	76	General	No	Yes	No	$1,000,000		Terminated
08407	3	2/8/2008	2:33 PM	Woodland Park at Decatur	Decatur	NC	15	72	Elderly	No	Yes	No	$1,000,000		Terminated
08325	11	2/25/2008	1:27 PM	Brackettville Seniors Apartments	Brackettville	R	32	32	Elderly	No	No	No	$875,973		Under Review
08324	9	2/25/2008	1:33 PM	Fredericksburg Seniors Apartments	Fredericksburg	NC	47	48	Elderly	No	No	No	$1,234,674		Under Review
08256	3	2/27/2008	3:25 PM	Westway Place	Corsicana	NC	16	40	General	Yes	No	No	$500,000		Under Review

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3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

* This amount reflects $27,000,000 in funds made available in the NOFA less awards approved by the board.

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08255	3	2/27/2008	3:31 PM	West Park Senior Housing	Corsicana	NC	25	48	Elderly	Yes	No	No	$400,000		Under Review
08264	3	2/28/2008	9:17 AM	Cambridge Crossing	Corsicana	NC	5	60	Elderly	Yes	No	No	$420,000		Under Review
08229	7	2/28/2008	1:40 PM	Fairwood Commons Senior Apartments	Bastrop	NC	14	66	Elderly	Yes	No	No	$600,000		Under Review
08253	7	2/28/2008	2:58 PM	Creekside Villas Senior Village	Buda	NC	11	144	Elderly	Yes	No	No	$1,200,000		Under Review
08266	10	2/29/2008	9:22 AM	Hillcrest at Galloway	Beeville	NC	11	48	General	Yes	No	No	$1,200,000		Under Review
08201	5	2/29/2008	10:24 AM	First Huntington Arms	Huntington	R	5	40	General	Yes	No	No	$490,519		Under Review
08263	7	2/29/2008	11:54 AM	Villas at Lost Pines	Bastrop	NC	11	66	Elderly	Yes	No	No	$1,100,000		Under Review
08326	11	2/29/2008	12:16 PM	Buena Vida Apartments	La Feria	R	54	58	Elderly	No	No	No	$1,160,000	$1,118,980	Awarded
08130	9	2/29/2008	12:27 PM	Jourdanton Square Apartments	Jourdanton	R	11	52	General	Yes	No	No	$437,274		Under Review
08106	6	2/29/2008	1:23 PM	Brookhollow Manor	Brookshire	R	48	48	General	Yes	No	No	$630,000		Under Review

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* This amount reflects $27,000,000 in funds made available in the NOFA less awards approved by the board.

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08220	4	2/29/2008	1:31 PM	Northview Apartments	Kilgore	R	72	72	Intg.	Yes	No	No	$760,000		Under Review
08215	3	2/29/2008	1:33 PM	Quail Run Apartments	Decatur	R	40	40	General	Yes	No	No	$400,000		Under Review
08216	3	2/29/2008	1:39 PM	Chisum Trail Apartments	Sanger	R	40	40	General	Yes	No	No	$450,000		Under Review
08213	2	2/29/2008	1:50 PM	Stamford Place Apartments	Stamford	R	40	40	General	Yes	No	No	$530,000		Under Review
08120	8	2/29/2008	2:55 PM	Applewood Apartments, LP	West	R	24	24	Elderly	Yes	No	No	$335,957		Under Review
08121	8	2/29/2008	3:01 PM	Cherrywood Apartments	West	R	20	20	Elderly	Yes	No	No	$241,301		Under Review
08118	6	2/29/2008	3:20 PM	Gardenwood Apartments	Magnolia	R	0	36	General	Yes	No	No	$620,000		Withdrawn
08181	7	3/6/2008	2:40 PM	Park Ridge Apartments	Llano	NC	8	64	General	Yes	No	No	$350,000		Under Review
08154	3	3/26/2008	2:12 PM	Mineral Wells Pioneer Crossing	Mineral Wells	NC	0	80	General	Yes	No	No	$625,000		Under Review
08225	2	3/26/2008	2:29 PM	Oakwood Apartments	Brownwood	R	47	48	General	Yes	No	No	$250,000		Under Review

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3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

* This amount reflects $27,000,000 in funds made available in the NOFA less awards approved by the board.

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08226	8	3/26/2008	2:30 PM	Whispering Oaks Apartments	Goldthwaite	R	24	24	Elderly	Yes	No	No	$2,100,000		Under Review
08296	8	3/26/2008	2:32 PM	Prairie Village Apartments	Rogers	R	24	24	General	Yes	No	No	$330,000		Under Review
08297	3	3/26/2008	2:33 PM	St. Charles Place	Crowley	R	10	52	General	Yes	No	No	$650,000		Terminated
08157	4	3/28/2008	4:44 PM	SilverLeaf at Chandler	Chandler	NC	16	80	Elderly	Yes	No	No	$1,658,090		Under Review
08328	3	5/30/2008	2:14 PM	Estates at Northside	Pilot Point	NC	32	32	Elderly	No	No	No	$2,283,745		Under Review
08329	3	6/2/2008	3:37 PM	Meadowlake Village Apartments	Mabank	R	40	40	General	No	No	No	$500,000		Under Review
08330	8	6/2/2008	4:00 PM	Holland House Apartments	Holland	R	68	68	General	No	No	No	$775,000		Under Review
Total HOME Applications:			**35**		**Unit Totals:**		**916**	**2,006**		**Fund Totals:**			**$33,257,533**	**$4,368,980**	

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2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

* This amount reflects $27,000,000 in funds made available in the NOFA less awards approved by the board.

Applicant Evaluation

Project ID # **07346** Name: **Creek View Apartments** City:

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: 10

Projects in Material Noncompliance: **Yes** ☐ **No** ☑

in noncompliance: 0

Projects grouped by score:
- zero to nine: 10
- ten to nineteen: 0
- twenty to twenty-nine: 0

monitored with a score less than thirty: 10

not yet monitored or pending review: 2

Projects not reported in application: Yes ☐ No ☑

# of projects not reported: 0

Contract Monitoring

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

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 2/20/2008

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 2 /19/2008

HOME

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer Lora Lange

Date 2 /20/2008

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 2 /26/2008

Community Affairs

No relationship	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer AMO

Date 2 /20/2008

Office of Colonia Initiatives

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer RAUL GONZALES

Date 2 /21/2008

Financial Administration

No delinquencies found	☑
Delinquencies found (Comments attached)	☐

Reviewer Melissa M. Whitehead

Date 2 /19/2008

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

REPORT DATE: 06/13/08 PROGRAM: HOME / HTF FILE NUMBER: **07346**

DEVELOPMENT

Creek View Apartments

Location: East side of North Winters Furr, north of Dawn Street Region: 7

City: Johnson City County: Blanco Zip: 78636 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, New Construction, Rural

ALLOCATION

OPTION ONE

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$3,250,000	0.00%	*	**$3,250,000**	**See Below**	

* The Applicant has requested the funds be structured with a payment of $62,500 annually in years 1-10, $72,500 in years 11-20, and $95,000 in years 21-40 to allow for 100% repayment of Department funds.

OPTION ONE RECOMMENDATION

An award of HOME Program Activity funds not to exceed $3,250,000, to be structured with a fully repayable first lien of $2,379,400 with an interest rate equal to 0.00% amortized over 40 years and a deferred forgivable second lien for the $870,600 balance of HOME funds. This recommendation is subject to TDHCA Board acceptance of such deferred forgivable loan which can not be predicted to be repaid and may ultimately be required to be granted. In addition, this recommendation is subject to TDHCA Board action to allow the HOME NOFA funding limit to increase to $3,250,000 per development for the subject application and all other conditions reflected below.

OPTION TWO

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Trust Fund	$250,000	Grant		**$250,000**	**See Below**	
HOME Activity Funds	$3,000,000	0.00%	cashflow	**$3,000,000**	**See Below**	

OPTION TWO RECOMMENDATION

An award of HOME Program Activity funds not to exceed $3,000,000, to be structured with a fully repayable first lien of $2,129,400 with an interest rate equal to 0.00% amortized over 40 years and a deferred forgivable second lien for the $1,120,600 balance of HOME funds. This recommendation is subject to TDHCA Board acceptance of such deferred forgivable loan which can not be predicted to be repaid and may ultimately be required to be granted.

An award of Housing Trust Funds not to exceed $250,000, to be structured as a fully repayable co-first lien with the TDHCA HOME first, subject to the following conditions.

CONDITIONS

1 Receipt, review, and acceptance, by closing on the HOME funds, of a resolution from the City of Johnson City committing to pave the unpaved portion of N Winters Furr Avenue to provide paved access to the subject site.

2 Receipt, review, and acceptance, by commitment, of a noise survey for the proposed site and/or an explanation for the change in the need for a noise study between the subject ESA report and previously submitted ESA report.

3 The Department shall not release any developer fee or the final $285,000 in Department funds until staff has received acceptable confirmation from the City that the roadway providing access to the site has been paved and completed.

4 Any future award for a phase II on the site should exclude acquisition cost and/or should any phase II be constructed without TDHCA funding a prorata reimbursement of the land cost should be required to reduce the HOME award.

5 Should the terms and rates of the proposed financing change, the transaction should be re-evaluated and an adjustment to the award amounts may be warranted.

SALIENT ISSUES

OPTION ONE - TDHCA SET-ASIDES for LURA All HOME ONLY

Income Limit	Rent Limit	Number of Units
Low HOME/30% of AMI	Low HOME/30% of AMI	2
50% of AMI	Low HOME	4
80% of AMI	High HOME	22

OPTION TWO - TDHCA SET-ASIDES for LURA ALL HTF and HOME

Income Limit	Rent Limit	Number of Units
Low HOME/30% of AMI	Low HOME/30% of AMI	2
50% of AMI	Low HOME/50% of AMI	4
60% of AMI	High HOME/60% of AMI	22

PROS

- The Applicant's expense to income ratio of 53% is well below the Department's 65% expense to income ratio.
- The modifications made since initial application appear to yield a development plan better suited for the subject market and allow Department funds to hold sole first lien position with projected repayment.

CONS

- The subject application has changed significantly since application suggesting uncertainty regarding the Applicant's initial readiness to proceed.
- Due to Federal HOME restrictions on funding community facilities, the Applicant's revised development plan excludes a community building for use by residents. The Applicant may develop a community building if Phase II is pursued in the future.
- The Underwriter's analysis reflects the projected repayment of only 73% of the funds to be awarded and the likely forgiveness of the remaining funds requested.

DEVELOPMENT PLAN

As discussed in more detail in the "Previous Reports" section below, the subject development was originally structured and submitted as a 64 unit tax-exempt bond transaction in 2007. However, due to issues related to the viability of the financing structure, the Applicant withdrew this previous application prior to Board consideration.

The subject's latest application has undergone significant changes to the development plan after correspondence with staff and after Board action at the May 2008 TDHCA Board meeting.

When originally submitted, the application proposed 48 rental units comprised of 32 affordable units and 15 market rate units. The financing structure consisted of a proposed $1.78M USDA Section 538 loan, a requested $3M HOME loan, $250K in HTF and deferred developer fee to fund total development costs of $5,462,612. Staff identified three major concerns with the structure of the transaction as proposed, as follows:

- Subordination of the $3M HOME funds to the smaller $1.78M USDA-538 mortgage.
- The limited ability to repay the HOME and HTF funds; the Applicant requested that the HTF be structured as a grant and the HOME be structured as a cashflow loan.
- The potential for any foreclosure to wipeout the LURA and affordability.

Due to the issues arising from the sale of the USDA 538 on the secondary market, the Applicant determined that the USDA 538 loan would require sole first lien position. Moreover, concerns regarding the repay ability of Department funds could not be mitigated.

After significant correspondence with underwriting and program staff, the Applicant determined that a revision of the development plan from 48 units to the current 28 units could allow the development to be fully funded with Department HOME and HTF funds. As a result, the Applicant submitted revised exhibits and a new siteplan reflecting a total of 28 affordable units.

This 28 unit structure eliminated the need for the USDA 538 funds but the Applicant was not able to secure other public or private funding amounting to at least 10% of the development costs as required in the HOME NOFA. Staff determined that the combination deferred developer fee and HTF would not meet the NOFA requirement. As a result, staff terminated the application for HOME in April 2008 due a failure to meet the 10% outside financing threshold requirement. The Applicant appealed this decision and requested that the Board allow the transaction to move forward without having met this requirement or allow the HTF and deferred developer fee (in addition to $35K in City in kind funding) to meet the 10% outside financing requirement.

At the May 2008 TDHCA Board meeting, the Board granted the Applicant's request for a waiver of the 10% outside financing requirement. Additionally, the Board expressed interest in proceeding with the transaction as a HOME only transaction (without HTF) to simplify transaction. However, no specific action was taken regarding a removal of the $3M per development HOME NOFA funding limit or modification of the application to allow the application to be fully funded within the HOME limits as defined in the NOFA.

In subsequent correspondence with staff, the Applicant indicated that they would pursue a development plan with 28 affordable units fully funded with $3,250,000 in HOME funds and the Applicant has submitted exhibits consistent with this revised plan. The Applicant has submitted a formal request for a waiver of the $3M HOME funding limit to allow for the increased $3,250,000 in HOME funds requested to replace the previously contemplated $250,000 in HTF and $3M in HOME.

Alternatively, should the Board deny this request, the Applicant has requested that the Board consider $3,000,000 in HOME funds and $250,000 in Housing Trust Fund funds. This request is consistent with the Applicant's original application and complies with the Department's NOFA requirements. However, this adds some complexity to the documentation, funding and monitoring of the transaction with limited to no benefit to the Applicant or Department.

Underwriting has evaluated the transaction with both funding structures in mind. Analysis of both options is based on the same cost and income assumptions. Despite the additional layer of restrictions that the HTF funds would carry, the rents would not be impacted as the HOME rents are generally more restrictive than the HTF rents. Both options have been presented herein for the Board's consideration.

Due the HUD HOME requirement that any common area/non-residential area be incidental to the development of residential units and the commonly held interpretation of that regulation to mean that such common areas must be attached to residential units to be funded with HOME monies, the Applicant chose to exclude the typical leasing office/common areas from the revised phase I plan. The Applicant has indicated that leasing and management activities will occur from their main offices in Marble Falls approximately 25 miles away from the subject site. This could delay lease-up and will, if continued for the long term, be detrimental to collection and retention strategies as well.

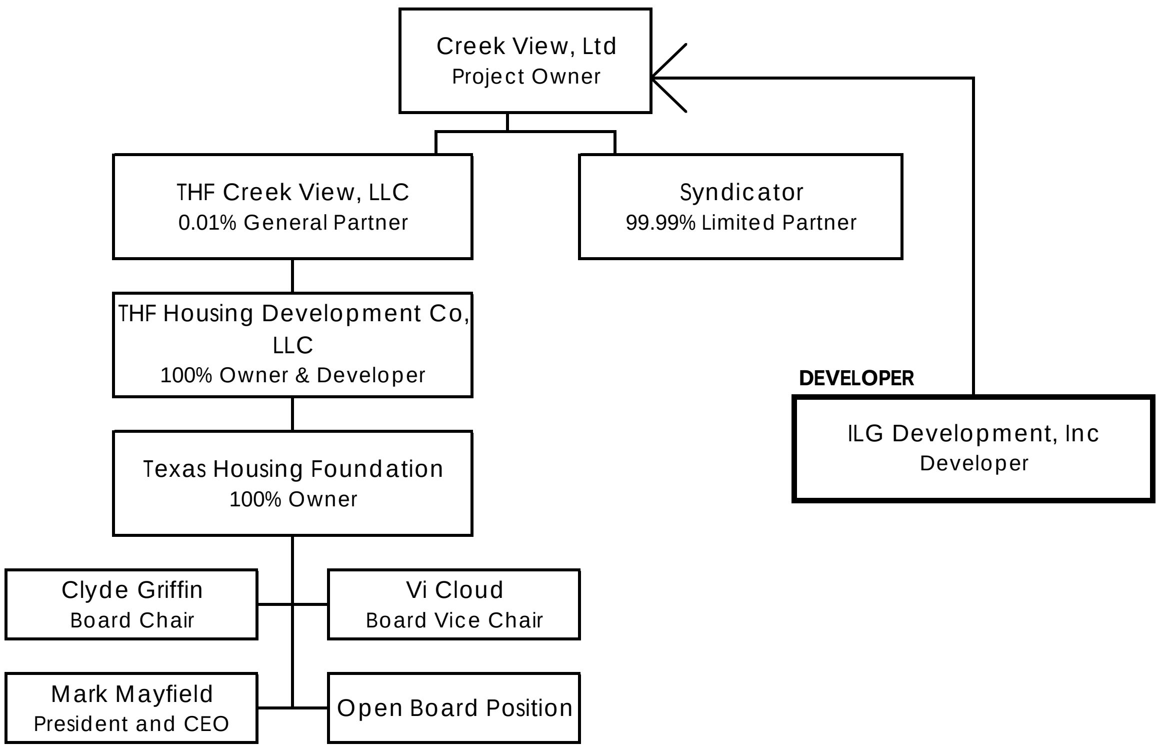
PREVIOUS UNDERWRITING REPORTS

The subject development was originally submitted for funding during the 2007 9% HTC cycle and was terminated by the program staff due to a failure to submit the required third party reports.

Application (07437) was submitted a second time on May 29, 2007 with a request for 4% HTCs in conjunction with a tax exempt bond reservation from a local issuer. The Applicant has submitted several iterations of the financing structure with substantial variations between each submission. The Underwriter completed and posted an underwriting report to the web which did not recommend the transaction due to a failure to meet the 50% test and failure to provide a lender's commitment for the proposed financing structure prior to 60 days before the issuance of the Determination Notice. However, the Applicant chose to withdraw the application just prior to the TDHCA Board meeting after the proposed lender withdrew from the transaction and a replacement lender could not be secured.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Mayfield Phone: 830.693.4521 Fax: 830.693.5128
Email: mmayfield@txhf.org

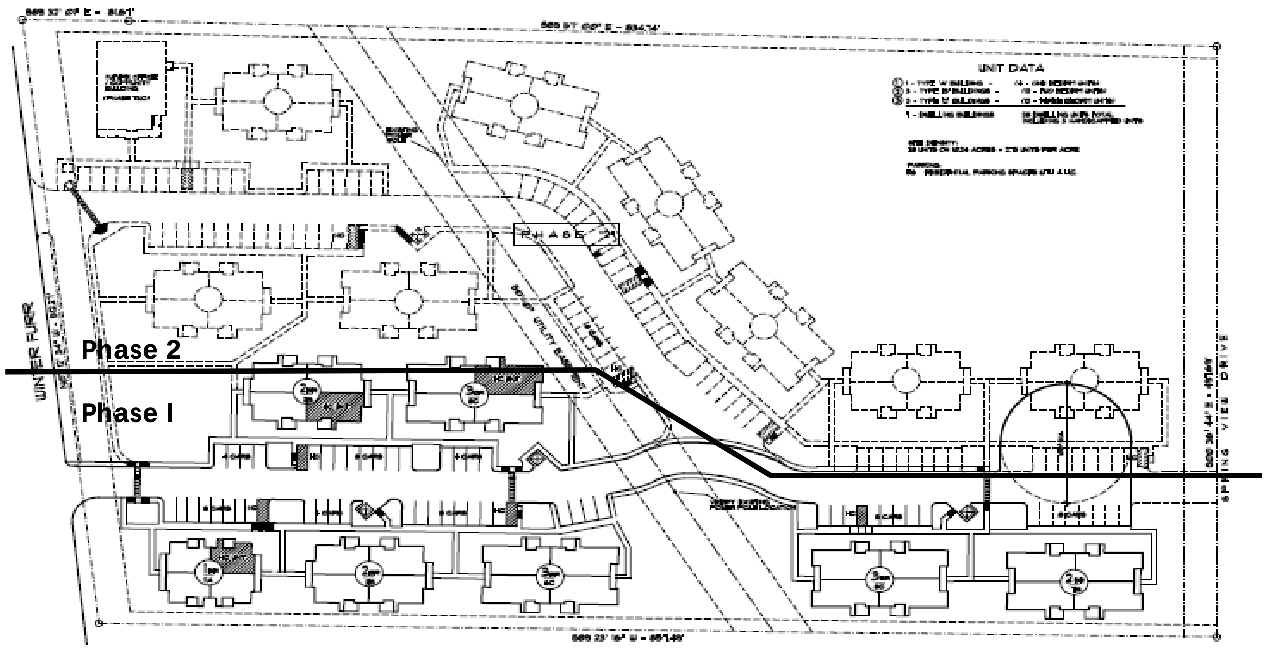
KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Texas Housing Foundation	N/A	8 Multifamily Developments
ILG Development, Inc	N/A	--

IDENTITIES of INTEREST

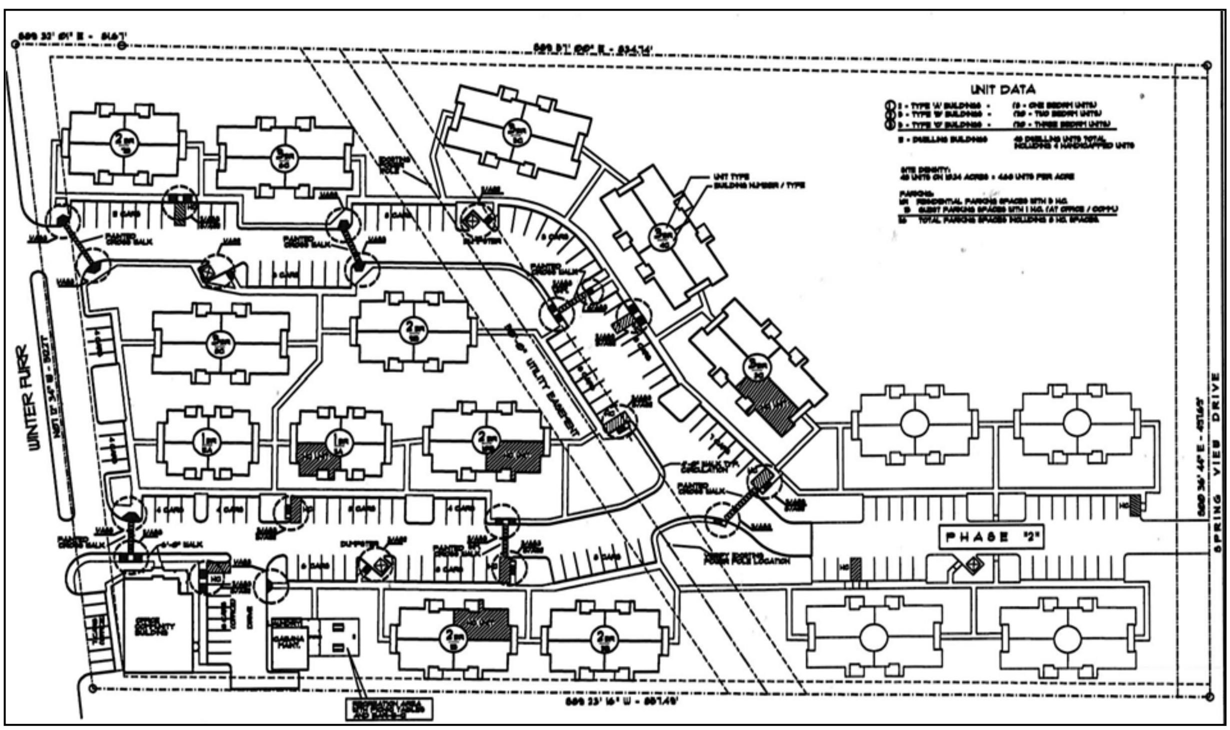
- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The current owner of the property, THF Highland Lakes Housing Corp, is an instrumentality of the Texas Housing Foundation.

PROPOSED SITE
FINAL SITE PLAN*



* The revised siteplan is divided into two phases with the proposed development reflected as Phase I consisting of seven residential buildings situated at the southern portion of the site. The community building would be part of a future phase located at the northwest corner of the site.

ORIGINAL SITE PLAN



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BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	1	3	3								7

BR/BA	SF	Units									Total Units	Total SF
1/1	675	4									4	2,700
2/2	916		4								12	10,986
3/2	1,067			4							12	12,804
Units per Building		4	4	4							**28**	**26,490**

SITE ISSUES

Total Size: 10.24 acres — Scattered site? ☐ Yes ☒ No

Flood Zone: Zone X — Within 100-yr floodplain? ☐ Yes ☒ No

Zoning: Multifamily — Needs to be re-zoned? ☐ Yes ☒ No ☐ N/A

Comments:

Winter Furr is planned to provide primary access to the site. However, the portion of the road bordering the site is currently gravel. Additionally, Spring View Drive, which will provide secondary access to the site is currently a gravel road. Receipt, review, and acceptance, by closing on the HOME funds, of a resolution from the City of Johnson City committing to pave the unpaved portion of N Winters Furr Avenue to provide paved access to the subject site is a condition of this report.

The Applicant has proposed to restrict the entire 10.24 acres in the Land Use Restriction Agreement (LURA). However, the siteplan clearly reflects a planned phase II which, if constructed, would encompass a large portion of the 10.24 acres. The Underwriter discussed the potential issues related to development of a second phase if the entire property is LURA restricted for the subject application. The Applicant indicated that any phase II would be developed as affordable housing and that they would seek Board approval to release the portion of the property needed for development of phase II at a future date. The Applicant indicated that they were not currently interested in subdividing and independently funding the phase II portion of the property prior to LURA restriction, so that Board action to release a portion of the site in the future is not necessary.

If the entire site is not LURA restricted, a prorata adjustment to the transfer price would be necessary. Moreover, as currently structured, any future application involving a phase II located on the same site would be underwritten with no acquisition cost since the value of the entire site is being funded as part of the current application.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff — Date: 5/2/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Single family residential and undeveloped beyond

East: Undeveloped pasture land

South: Undeveloped and mobile home park

West: Single family, multifamily and undeveloped beyond

This section intentionally left blank.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost Geosciences Date: 4/17/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- The report provided reflects no recognized environmental concerns. However, as indicated above, the sponsor (Texas Housing Foundation) submitted application for this site in 2007. The ESA provided at that time had the same date as the ESA provided for the current application and included the following noise recommendation: "No further environmental assessment is recommended at this time. However, due to the proximity of US highway 281 and FM 2766, a decibel noise survey is recommended" (p. 1). This recommendation is not reflected in the current ESA provided for the subject, but will remain a condition of this report as evidence that a noise study is not known to have been performed and was not provided.

Comments:

Receipt, review, and acceptance, by commitment, of a noise survey for the proposed site and/or an explanation for the change in the need for a noise study between the subject ESA report and previously submitted ESA report is a condition of this report.

MARKET HIGHLIGHTS

Provider: Novogradac & Company, LLP Date: 12/3/2008

Contact: Brad Weinberg Phone: 512.340.0420 Fax: 512.340.0421

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"For the purpose of this study, the Subject's Primary Market Area (PMA) is defined as Blanco and Gillespie Counties, with the additional areas of Burnet County south of 1431, as depicted below. This area was defined based on conversations with local property managers, city officials, natural political boundaries and overall similarities in market characteristics observed during the field investigation." (p. 8)

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined as Blanco, Gillespie, Llano and Mason Counties." (p. 8)

Comments:

The Market Analyst's PMA is approximately 1,919 square miles and completely encompasses two counties and a portion of a third county. The SMA is approximately 3,814 square miles and completely encompasses four counties and a portion of a fifth county. These market areas are extraordinarily large and are unlikely to portray realistic expectations. However, The Underwriter has evaluated the demographics for Blanco county alone and determined that the Department's inclusive capture rate requirements would be met even if the PMA were significantly reduced in size to include only one county.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Friendship Place	04008	76	76	Kingsland Trails	04004	76	15	60

Comments:

The Underwriter has included 76 units from Friendship Place, a 2004 9% HTC transaction. Based on compliance reports collected by the Department's Compliance Division, the property does not appear to have maintained 90% occupancy for 12 consecutive months to be considered stabilized. The Market Analyst did not include this property in the inclusive capture rate calculations. Also of note, the Market Analyst did not include demand from the secondary market area defined above. However, if such demand were considered, Kingsland Trails, an unstabilized 2004 9% HTC transaction, would need to be considered in the supply portion of the demand analysis.

INCOME LIMITS						
Blanco						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$11,600	$13,250	$14,900	$16,550	$17,850	$19,200
50	$19,300	$22,050	$24,800	$27,550	$29,750	$31,950
80	$30,850	$35,300	$39,700	$44,100	$47,650	$51,150

UNDERWRITER'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	10	0	0	11	1	0	9%
1 BR/ Low HOME	30	1	0	30	1	3	13%
1 BR/ High HOME	95	3	0	98	2	17	19%
2 BR/ 30% Rent Limit	18	-1	0	17	1	0	6%
2 BR/ Low HOME	43	-1	0	42	1	2	7%
2 BR/ High HOME	132	5	0	137	10	30	29%
3 BR/ Low HOME	24	-1	0	23	2	0	9%
3 BR/ High HOME	71	2	0	74	10	24	46%

Comments:

Generally, the underwriting report includes the Market Analyst's Demand by Unit Type data. However, as indicated previously, the Applicant's development plan, including unit mix, has changed significantly since original application. The market study provided sufficient information regarding the Primary Market Area for the Underwriter to derive the above demand information for each of the proposed unit types. The Underwriter has used HISTA demographic data purchased by the Department.

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 91	100%	21,514	100%	21,514	58%	12,435	21%	2,629	25%	630
Underwriter	100%	21,687	97%	20,973	45%	9,539	21%	2,013	25%	503
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 91			100%	534	58%	309	21%	65	100%	65
Underwriter			97%	515	45%	227	21%	48	100%	48

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. 91	28	0	0	28	696	4.02%
Underwriter	28	76	15	119	551	21.60%

* Due to the significant revisions since application, the market study evaluates the originally structured development plan with 48 units. The Underwriter has extrapolated the Market Analyst's total demand by simply reducing the number of subject units to 28 as currently proposed. Because this actually reduces the capture rate, the Underwriter has not requested a revision of the study.

Primary Market Occupancy Rates:

"There are two multifamily LIHTC properties in the PMA, Brentwood Oaks Apartments and Friendship Place, which offer units at 50% and 60% of AMI or less. Brentwood Oaks is operating at an occupancy rate of 96%... Friendship Place is currently 100% occupied and does not have any tenants utilizing Section 8 vouchers" (p. 63).

Absorption Projections:

"Friendship Place was constructed in 2006 and reports an absorption rate of 6 units per month or approximately 12 months. Thus, we assume an absorption rate of 6 units per month similar to the newest property in the PMA, and an absorption period estimated to be approximately 8 months to reach a stabilized occupancy rate of 95 percent for the Subject's 48 units." (p. 61)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)		Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 675 SF	30%	$228	$229	$590	$229	$361
1 BR 675 SF	LH	$349	$389	$590	$389	$201
1 BR 675 SF	HH	$349	$389	$590	$389	$201
2 BR 916 SF	30%	$276	$277	$680	$277	$403
2 BR 916 SF	LH	$449	$499	$680	$499	$181
2 BR 916 SF	HH	$449	$499	$680	$499	$181
3 BR 1,067 SF	LH	$610	$612	$750	$612	$138
3 BR 1,067 SF	HH	$610	$676	$750	$676	$74

Market Impact:

"The Subject will be the only new multifamily property in the PMA, with little competition during the absorption period. In addition, the Subject will have the benefit of new construction and superior condition and quality when compared to existing market-rate and affordable properties in the PMA. Therefore, the potential impact on the existing affordable housing stock is anticipated to be minimal." (p. 83)

Comments:

Despite the Applicant's significant changes to the development plan submitted to the Department, the Underwriter has been able to reach a reasonable inclusive capture rate that is within the Department's guidelines.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/2/2008

The Applicant's rent estimates are equal to the applicable 2008 HOME rent limits less utility allowances dated September 2007 maintained by Texas Housing Foundation. Two of the Low HOME units will carry an additional Department restriction at 30% of AMI pursuant to the HOME NOFA. As such, the Applicant has utilized 30% of AMI rents less utility allowances. The utility allowances are for energy efficient units. The Market Analyst's market rents suggest that these rent levels are achievable. The Underwriter has utilized rents that are comparable to the Applicant's rents.

If the transaction is ultimately funded with HOME and HTF, additional HTF restrictions will apply as elected in the application. Despite the additional layer of restrictions that the HTF funds would carry, the rents would not be impacted as the HOME rents are generally more restrictive than the HTF rents.

The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards. Therefore, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 6/2/2008

The Applicant's total operating expense estimate of $3,289 per unit is within 5% of the Underwriter's estimate of $3,390 per unit derived from the TDHCA database, IREM, and other sources. The Applicant and Underwriter have assumed a 100% property tax exemption. The Applicant has provided a long-term ground lease between the housing authority (Texas Housing Foundation) and the Applicant which is an ownership structure that is often used to obtain such an exemption, particularly in tax credit transactions.

It should be noted that a more common structure for HOME-only transactions is direct ownership of the project by the Housing Authority which allows for a 100% property tax exemption. The Applicant has indicated that the partnership has already been formed due to previous plans to fund the development with 4% tax credits and tax exempt bonds and that at this point the proposed structure is being pursued as a matter of convenience.

Conclusion:

The Applicant's and Underwriter'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 proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant has requested the $3.25M HOME funds structured with a payment of $62,500 annually in years 1-10, $72,500 in years 11-20, and $95,000 in years 21-40. Assuming sufficient cashflow, this structure would allow the entire $3.25M to be fully repayable. This appears to have been structured based on projected cashflow reflected in the Applicant's 30 year proforma. However, the 30 year proforma is utilized as one tool to test a transaction's sensitivity to unknown future market forces and is generally not representative of the Department's prediction of actual future operations. The requested repayment structure his structure would potentially require actual operations mirroring those used in the 30 year proforma and assumes regular increases in the Fair Market Rents that may be unreasonable.

Historically, income and expenses rise at a comparable pace assuming that HUD rent limits allow such increases in rents, but the Underwriter does not recommend a structure that requires significant additional cashflow in future years. The Underwriter has adjusted the debt structure with a portion structured as a fully repayable regularly amortizing mortgage to bring the DCR within the Department's current guideline of 1.15 to 1.35; the remaining portion has been structured as a deferred forgivable loan. This is discussed in detail in the financing conclusions section below.

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 with the Underwriter's adjusted debt structure and the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 10.2 acres	$130,250	Tax Year:	2006
Existing Buildings:	$0	Valuation by:	Blanco CAD
Total Assessed Value:	$130,250	Tax Rate:	2.1902

EVIDENCE of PROPERTY CONTROL

Type:	Ground Lease	Acreage:	10.24
Contract Expiration:	N/A	Valid Through Board Date?	☐ Yes ☐ No
Acquisition Cost:	$100,000	Other:	
Lessor:	Texas Housing Foundation	Related to Development Team?	☒ Yes ☐ No

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Applicant Revision: 5/29/2008

Acquisition Value:

The Applicant originally claimed a transfer price of $200,000. However, the transfer is an identity of transaction and the Applicant did not provide an appraisal at application to support this transfer price. The Applicant has adjusted the acquisition cost and Ground Lease to reflect an acquisition cost equal to the original purchase price of the property. A settlement statement indicating the original acquisition cost of $100,000 was provided. Therefore, the Applicant's revised acquisition cost of $100,000 is generally acceptable and an appraisal is not required.

Off-Site Cost:

The Applicant has indicated off site costs of $35,000 for the paving of the existing unpaved roadway providing access to the site, N Winters Furr Avenue. The Applicant has provided an estimate from a third-party engineer to support this estimate. Additionally, the Applicant has provided a letter from the Mayor of Johnson City indicating the City's intention to pave a portion of this roadway but did not provide any details of the cost or plan for completion. The Applicant has therefore, also included $35,000 as a source of funds. The Applicant has indicated that the City has not passed a resolution committing to pave the roadway. The report has been conditioned upon receipt of a resolution from the City. Additionally however, due to the importance of providing paved access to the site, the Underwriter recommends that the Department not release the final $285,000 or any developer fee until staff has received confirmation from the City that the roadway providing access to the site has been paved and completed.

Sitework Cost:

The Applicant's sitework cost of $14.5K per unit is well above the Department's threshold of $9,000 per unit. Therefore, additional documentation is required. The Applicant has provided a letter from a third party professional engineer supporting the sitework costs as projected.

Direct Construction Cost:

The Applicant's direct construction cost estimate is within $20K or 1% higher than the Underwriter's *Marshall and Swift Residential Cost Handbook*- derived direct cost estimate.

The Applicant originally included a small Phase I detached community building in the development plan. However, per 24 CFR Part 92.206, only development of community facilities located within the same building as the housing and which are for the use of the project residents and their guests are eligible for HOME funds. The Applicant has therefore, removed the previously planned community building from the Phase I development plan.

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. The development's funding needs are discussed in detail in the financing conclusions section below.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 5/29/2008

Amount: $35,000 Type: **In Kind Donation**

Comments:

As previously indicated, the Mayor of Johnson City has provided a letter indicating a commitment to pave the unpaved portion of North Winters Furr Ave in order to provide paved access to the site however the value of this contribution is being estimated by the Applicant. The Underwriter has conditioned this report upon a resolution from the City to provide additional support for this source of funding.

Amount: $743 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the Applicant assumed a structure with a rising payment ($62,500 annually in years 1-10, $72,500 in years 11-20, and $95,000 in years 21-40) in order to allow 100% repayment of the Department's funds. However, this structure would potentially require significantly different operating assumptions in future years and would be entirely dependent on regular increases in the Fair Market Rents to out pace rises in expenses. Step-up payments such as proposed by the Applicant have historically been avoided by the Department because (as recent events in the single family housing market reflect) they are not considered to be conservative underwriting. The proforma analysis indicates a significant portion of the funds are fully repayable, but the Underwriter cannot reasonably assume future operations would allow for an increasing annual payment as proposed.

Therefore, the Underwriter has structured $2,379,400 in HOME funds as a fully amortizing 40 year first lien at a 0.00% interest rate and still meet the maximum 1.35 DCR. If the DCR were allowed to drop to the Department's minimum 1.15 DCR, the repayable portion of the award would increase by $412,702. The remaining portion of Department funds have been underwritten as deferred forgivable debt subordinate to the repayable first lien.

The Applicant’s total development cost estimate less the $35,000 in City in kind donations indicates the need for $3,250,581 in gap funds. This gap in financing is greater than the total requested TDHCA funding amount of $3,250,000. If a total of only $3,000,000 in Department funds are ultimately received, the transaction's developer fee would be reduced by another $250,000 which would result in a total developer fee of only $34K. The subject transaction would continue in theory to meet all of the Department's guidelines for financial viability, though such limited actual developer fee would significantly increase the risk of under funding the development.

The requested award and anticipated costs reflect a leveraging of non-Department resources of just over 1% which is much less than the 10% required under the NOFA. This issue was addressed at the May 2008 Board meeting when the Board waived the 10% requirement of leveraging for this application subject to the maintenance of the Applicant's projected contribution from the City and from deferral of developer fee.

Based upon the Board direction at the May 2008 meeting the Underwriter is recommending funding the full amount. Therefore, the total requested funding of $3,250,000 in TDHCA funds is needed. The Applicant has requested a waiver of the HOME NOFA award maximum of $3,000,000 to eliminate the use of two TDHCA programs and simplify the transaction with $3,250,000 in HOME funds. Staff has therefore provided two viable financing options for the Board's consideration, as follows:

- Option One: An award of HOME Program Activity funds not to exceed $3,250,000, to be structured with a fully repayable first lien of $2,379,400 with an interest rate equal to 0.00% amortized over 40 years and a deferred forgivable second lien for the $870,600balance of HOME funds, subject to TDHCA Board action to allow the HOME NOFA funding limit to increase to $3,250,000 per development for the subject application and all other conditions of this report; or

- Option Two: An award of HOME Program Activity funds not to exceed $3,000,000, to be structured with a fully repayable first lien of $2,129,400 with an interest rate equal to 0.00% amortized over 40 years and a deferred forgivable second lien for the $1,120,600 balance of HOME funds; and

  An award of Housing Trust Funds not to exceed $250,000, to be structured as a fully repayable co-first loan with the TDHCA HOME first (in order to prioritize the recovery and recycling of these more limited but less restricted state funds), subject to the conditions of this report.

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Either financing option results in structure indicating the need for $581 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within one year of stabilized operation. Generally, deferred developer fees are used in transactions seeking tax credits (in order to increase eligible basis) or in transactions using a third-party developer; as such, it is likely that the total developer fee in the subject transaction will simply be reduced by $581.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units. As indicated previously, the Applicant has removed the originally contemplated detached community building as community facilities not within a residential building are not considered HOME eligible costs.

Underwriter:	*Cameron Dorsey*	Date:	June 13, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	June 13, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 13, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Creek View Apartments, Johnson City, HOME / HTF #07346

Type of Unit	HTF Restrict	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
LH/HTC 30%	HTF 30%	1	1	1	675	$310	$229	$229	$0.34	$81.00	$83.00
LH	HTF 50%	1	1	1	675	$470	389	389	0.58	81.00	83.00
HH	HTF 60%	2	1	1	675	$470	389	778	0.58	81.00	83.00
LH/HTC 30%	HTF 30%	1	2	2	916	$372	277	277	0.30	95.00	94.00
LH	HTF 50%	1	2	2	916	$594	499	499	0.55	95.00	94.00
HH	HTF 60%	10	2	2	916	$594	499	4,990	0.55	95.00	94.00
LH	HTF 50%	2	3	2	1,067	$716	612	1,224	0.57	104.00	105.00
HH	HTF 60%	10	3	2	1,067	$780	676	6,760	0.63	104.00	105.00
TOTAL:		28		AVERAGE:	946		$541	$15,146	$0.57	$96.86	$97.14

INCOME	Total Net Rentable Sq Ft:	26,490		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$181,748	$181,728	Blanco		7
Secondary Income		Per Unit Per Month:	$13.86	4,656	4,656	$13.86	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$186,404	$186,384			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(13,980)	(13,979)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$172,424	$172,405			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.15%	$379	0.40	$10,608	$8,825	$0.33	$315	5.12%
Management		5.00%	308	0.33	8,621	8,620	0.33	308	5.00%
Payroll & Payroll Tax		14.65%	902	0.95	25,253	25,714	0.97	918	14.91%
Repairs & Maintenance		9.21%	567	0.60	15,874	14,820	0.56	529	8.60%
Utilities		3.09%	190	0.20	5,329	5,600	0.21	200	3.25%
Water, Sewer, & Trash		6.42%	395	0.42	11,063	9,900	0.37	354	5.74%
Property Insurance		4.85%	299	0.32	8,360	7,700	0.29	275	4.47%
Property Tax	2.1902	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		4.06%	250	0.26	7,000	7,000	0.26	250	4.06%
TDHCA Compliance Fees		0.00%	0	0.00	0	1,120	0.04	40	0.65%
Other: Supportive Services		1.62%	100	0.11	2,800	2,800	0.11	100	1.62%
TOTAL EXPENSES		55.04%	$3,390	$3.58	$94,908	$92,099	$3.48	$3,289	53.42%
NET OPERATING INC		44.96%	$2,768	$2.93	$77,515	$80,306	$3.03	$2,868	46.58%
DEBT SERVICE									
TDHCA HOME Repayable		63.85%	$3,932	$4.16	$110,091	$0	$0.00	$0	0.00%
TDHCA HOME Forgivable		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		-18.89%	($1,163)	($1.23)	($32,576)	$80,306	$3.03	$2,868	46.58%
AGGREGATE DEBT COVERAGE RATIO					0.70	#DIV/0!			
RECOMMENDED DEBT COVERAGE RATIO						1.35			

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)		3.06%	$3,571	$3.78	$100,000	$100,000	$3.78	$3,571	3.04%
Off-Sites		1.07%	1,250	1.32	35,000	35,000	1.32	1,250	1.07%
Sitework		12.43%	14,500	15.33	406,000	406,000	15.33	14,500	12.36%
Direct Construction		50.06%	58,383	61.71	1,634,726	1,654,618	62.46	59,094	50.36%
Contingency	4.80%	3.00%	3,501	3.70	98,031	98,031	3.70	3,501	2.98%
Contractor's Fees	13.45%	8.41%	9,803	10.36	274,486	274,486	10.36	9,803	8.35%
Indirect Construction		9.72%	11,336	11.98	317,395	317,395	11.98	11,336	9.66%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Fees	10.23%	8.73%	10,179	10.76	285,000	285,000	10.76	10,179	8.67%
Interim Financing		1.67%	1,945	2.06	54,450	54,450	2.06	1,945	1.66%
Reserves		1.86%	2,164	2.29	60,601	60,601	2.29	2,164	1.84%
TOTAL COST		100.00%	$116,632	$123.28	$3,265,689	$3,285,581	$124.03	$117,342	100.00%
Construction Cost Recap		*73.90%*	***$86,187***	***$91.10***	***$2,413,243***	***$2,433,135***	***$91.85***	***$86,898***	*74.05%*

SOURCES OF FUNDS

	%	Per Unit	Per SF	TDHCA	APPLICANT	RECOMMENDED	
TDHCA HOME Repayable	99.52%	$116,071	$122.69	$3,250,000	$3,250,000	$2,379,400	Developer Fee Available
TDHCA HOME Forgivable	0.00%	$0	$0.00	0	0	870,600	$285,000
TDHCA HTF	0.00%	$0	$0.00	0	0	0	
HTC Syndication Proceeds	0.00%	$0	$0.00	0	0	0	% of Dev. Fee Deferred
City Road Extension	1.07%	$1,250	$1.32	35,000	35,000	35,000	
Deferred Developer Fees	0.02%	$27	$0.03	743	743	581	0%
Additional (Excess) Funds Req'd	-3.68%	($4,288)	($4.53)	(120,054)	(162)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$3,265,689	$3,285,581	$3,285,581	$474,224

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Creek View Apartments, Johnson City, HOME / HTF #07346

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$66.70	$1,766,801
Adjustments				
Exterior Wall Finish	4.00%		$2.67	$70,672
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.50%		2.33	61,838
Roofing			0.00	0
Subfloor			(1.85)	(49,007)
Floor Cover			3.08	81,589
Breezeways/Balconies	$21.65	3,385	2.77	73,285
Plumbing Fixtures	$965	16	0.58	15,440
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	28	2.56	67,900
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$56.78		0.00	0
Heating/Cooling			1.90	50,331
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$3,469	65.99	8.64	228,902
Other: fire sprinkler	$1.95	0	0.00	0
SUBTOTAL			89.38	2,367,752
Current Cost Multiplier	0.98		(1.79)	(47,355)
Local Multiplier	0.87		(11.62)	(307,808)
TOTAL DIRECT CONSTRUCTION COSTS			$75.98	$2,012,589
Plans, specs, survy, bld prmts	3.90%		($2.96)	($78,491)
Interim Construction Interest	3.38%		(2.56)	(67,925)
Contractor's OH & Profit	11.50%		(8.74)	(231,448)
NET DIRECT CONSTRUCTION COSTS			$61.71	$1,634,726

PAYMENT COMPUTATION

Primary	$3,250,000	Amort	420
Int Rate	1.00%	DCR	0.70
Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	0.70
Additional	$0	Amort	
Int Rate		Aggregate DCR	0.70

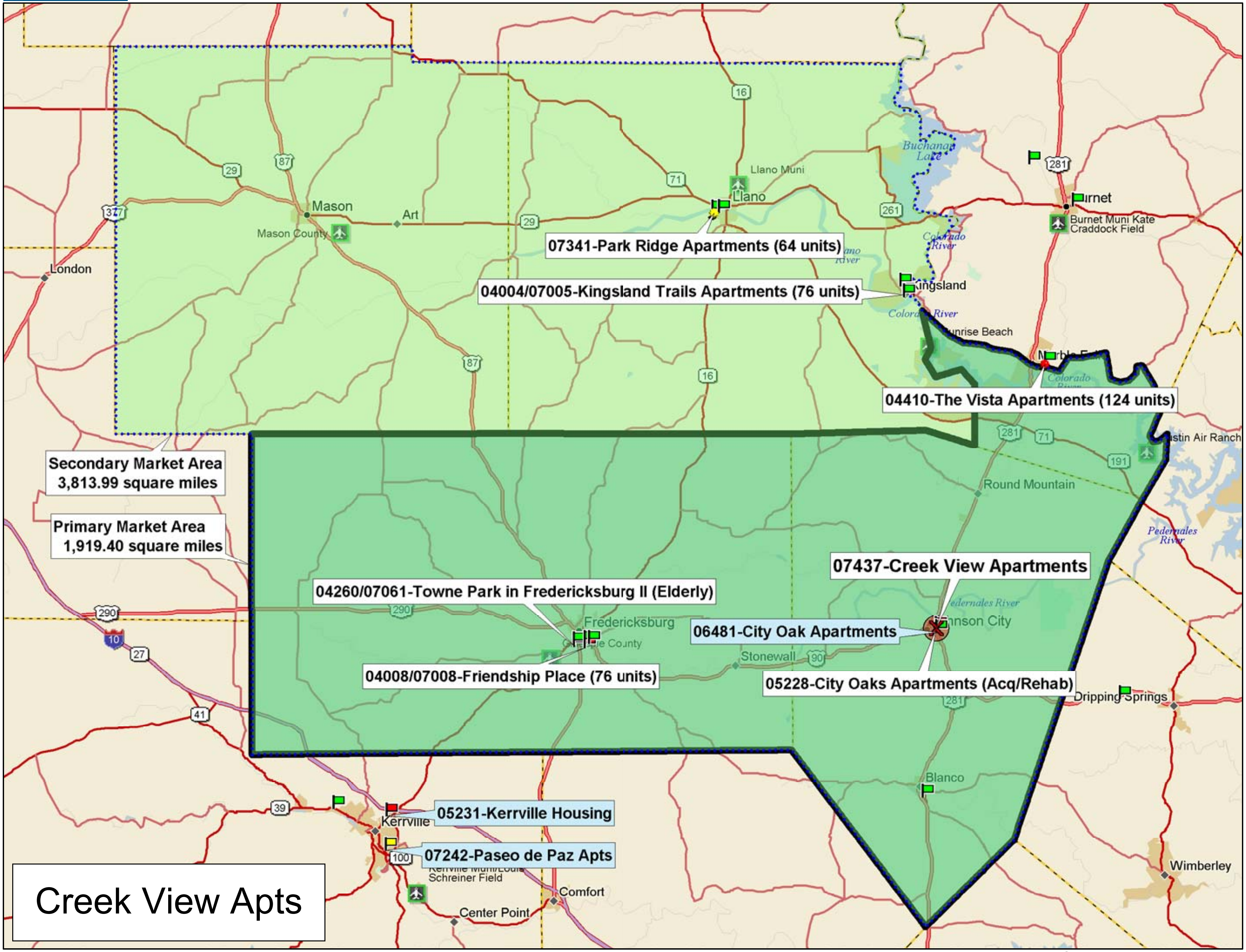
RECOMMENDED FINANCING APPLICANT'S NOI:

Primary Debt Service	$59,485
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$20,821

Primary	$2,379,400	Amort	480
Int Rate	0.00%	DCR	1.35
Secondary	$870,600	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	$181,728	$187,180	$192,795	$198,579	$204,536	$237,114	$274,880	$318,661	$428,254
Secondary Income	4,656	4,796	4,940	5,088	5,240	6,075	7,043	8,164	10,972
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	186,384	191,976	197,735	203,667	209,777	243,189	281,923	326,825	439,226
Vacancy & Collection Loss	(13,979)	(14,398)	(14,830)	(15,275)	(15,733)	(18,239)	(21,144)	(24,512)	(32,942)
Employee or Other Non-Rental Units or Concessio	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$172,405	$177,577	$182,905	$188,392	$194,044	$224,950	$260,778	$302,314	$406,284
EXPENSES at 4.00%									
General & Administrative	$8,825	$9,178	$9,545	$9,927	$10,324	$12,561	$15,282	$18,593	$27,522
Management	8,620	8,879	9,145	9,419	9,702	11,247	13,039	15,115	20,314
Payroll & Payroll Tax	25,714	26,743	27,812	28,925	30,082	36,599	44,528	54,176	80,193
Repairs & Maintenance	14,820	15,413	16,029	16,670	17,337	21,093	25,663	31,224	46,218
Utilities	5,600	5,824	6,057	6,299	6,551	7,971	9,697	11,798	17,464
Water, Sewer & Trash	9,900	10,296	10,708	11,136	11,582	14,091	17,144	20,858	30,875
Insurance	7,700	8,008	8,328	8,661	9,008	10,960	13,334	16,223	24,014
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	7,000	7,280	7,571	7,874	8,189	9,963	12,122	14,748	21,831
Other	3,920	4,077	4,240	4,409	4,586	5,579	6,788	8,259	12,225
TOTAL EXPENSES	$92,099	$95,697	$99,436	$103,322	$107,361	$130,064	$157,597	$190,993	$280,655
NET OPERATING INCOME	$80,306	$81,881	$83,469	$85,070	$86,683	$94,886	$103,181	$111,321	$125,629
DEBT SERVICE									
First Lien Financing	$59,485	$59,485	$59,485	$59,485	$59,485	$59,485	$59,485	$59,485	$59,485
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	$20,821	$22,396	$23,984	$25,585	$27,198	$35,401	$43,696	$51,836	$66,144
DEBT COVERAGE RATIO	1.35	1.38	1.40	1.43	1.46	1.60	1.73	1.87	2.11



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1" = 10.26 mi
Data Zoom 8-3

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA).

Background

This item was presented to the Board at the May 2008 Board meeting and tabled so that staff could garner further public input.

On March 24, 2008, the Department received its Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development (HUD). The approval and agreement included $40,043,225 for the Department's 2008 allocation of the HOME Investment Partnerships Program. The Department's 2008 Consolidated Annual Action Plan, as approved by HUD, includes set-asides totaling $5,000,000 for rental housing development activities and is the basis for the presentation of this NOFA to the Board. The Rental Housing Development Program set-aside is $3,000,000 and is available for proposals which involve new construction, rehabilitation, or acquisition and rehabilitation of affordable rental housing development activities. The remaining $2,000,000 is set-aside for the Rental Housing Preservation Program, which is designed to provide funding to proposals that involve the acquisition and rehabilitation of existing affordable housing that is at risk of losing the benefit of a subsidy in the form or a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment or equity incentive. As proposed, the NOFA makes funding available to eligible applicants for the development of affordable rental housing for low-income Texans. The funds are subject to the Regional Allocation Formula (RAF) for each Uniform State Service Region. The availability and use of these funds are subject to the Department's HOME Program Rule (10 TAC Chapter 53) and the federal regulations governing the HOME Program (24 CFR Part 92). An open application cycle method will be used to process applications received in response to this NOFA.

June 6, 2008, Department staff held a roundtable with interested participants to discuss the following questions posed by the Board at the May, 8 2008 Board meeting:

- Is the 10% leveraging requirements for rental developments appropriate in all situations? and
- What should the lien position of the Department be when HOME funds are used in conjunction with other housing funding sources?

The roundtable was attended by 17 members of the development community and diverse concepts were discussed. While an absolute consensus was not achieved, there was considerable support and preference expressed for eliminating the 10% leveraging requirement altogether. If such elimination was not possible, there was support for a sliding scale of the leveraging requirement based upon the size of the city in which the development was proposed or based upon the level of rents that could be achieved in the market. After considerable debate, most believed that a scale based upon the level of achievable rents would be the better method of eliminating the leverage requirement. In order to limit differences of opinion with regard to what rents were achievable, most agreed that using the HUD determined Fair Market Rents, as compared with the High HOME rents calculated based upon the area median income, would provide a fair measure with which to size the leverage requirement. While most of the roundtable participants believed that a resolution of support from local government could be garnered as a sign of need in a community to support an application, most were not in favor of including a resolution as a substitute for all or a portion of the required leveraging.

Staff does not support the complete elimination of the 10% leveraging requirement but understands the difficulties experienced in proposing rental housing development in rural communities. Therefore to address the input of the round table, staff is recommending, and has included in the NOFA, a partial exception to the 10% requirement for developments that are proposed in areas where the HUD Fair Market Rents are less than the High HOME Rents. Staff also proposes to include a partial exception to the 10% leveraging if the applicant provides a resolution from the local government indicating support of the proposed property when a financial contribution from the local government to the development is also being made. Staff proposes the following sliding scale for leveraging based upon the inclusion of these two concepts:

Rent	Resolution from Local Government	Maximum award as % of TDC*	% of TDC* from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

* Total Development Costs (TDC)

There was also considerable support for doing away with the underwriting requirement of a first lien for the Department when the Department has the largest amount of funds in the development. As an alternative, most attendees supported a requirement that the Land Use Restriction Agreement be superior to all liens so that even after any future foreclosure the Department's affordability restrictions remain in place. At a minimum, this lien position question should be considered on a case by case basis such that the Department's insistence upon it does not eliminate the ability to get third-party financing from a conventional lender.

The Department's lien priority requirements are not expressly defined in the proposed NOFA and therefore no changes to the NOFA are proposed. Staff believes this issue should be further considered and addressed in a Department wide loan policy to be adopted by the Board. The staff is in the early stages of developing such policy to bring to the Board later this year.

The proposed NOFA is attached with blackline reflecting staff's recommendation regarding the 10% leveraging requirement; the blackline is made to the draft version of the NOFA submitted to the Board at the May 2008 meeting.

Recommendation

Staff recommends approval of the 2008 Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA) and approval to release for publication in the *Texas Register*.

Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

Rental Housing Development Program
Notice of Funding Availability (NOFA)

1) Summary

The Texas Department of Housing and Community Affairs ("the Department") announces the availability of approximately $5,000,000 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 the Department's allocation of HOME funds from the U.S. Department of Housing and Urban Development (HUD). These HOME funds have been set-aside for rental housing development activities. At least $2,000,000 of these funds are set-aside for rental development proposals which involve the acquisition and rehabilitation of existing affordable housing that is at-risk of losing the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive. The remaining $3,000,000 in funds will be available to all eligible applicants for rental development activities. Applications for the Preservation Set-Aside must include evidence that any stipulation to maintain affordability in the contract granting the subsidy is at-risk of expiring, or that the federally insured mortgage on the Development is eligible for prepayment, within the next 24 months from the date of application submission. An Application for a Development that includes the demolition of the existing units which have received any of the previously listed benefits will not qualify as a Preservation Development unless the redevelopment will include the same site and is supplemented with HOPE VI funding or funding from the Local Housing Authority’s capital grant fund. 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) In accordance with 10 TAC §53.48, this NOFA will be conducted as an open application cycle and funding will be available on a first-come, first-served basis. Applications will be accepted and subject to the Regional Allocation Formula until 5:00 p.m. **August 25, 2008**. Any funds not requested in an application received by 5:00 p.m. **August 25, 2008**, will collapse into an open application cycle with funding available statewide and not subject to the RAF. 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. Based on the availability of funds, applications for the statewide open application cycle will be accepted until 5:00 p.m. **April 30, 2009.**

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 §53.41. 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~~ Total ~~development~~ Development ~~costs~~Costs (“TDC”) unless a resolution of support and commitment for a financial contribution to the development is made by the local unit of government in which the proposed development resides or the proposed development is located in an area where the HUD Fair Market Rents are less than the ~~High~~Calculated HOME Rents[1] but will be limited follows:~~.~~

Rent	Resolution from Local Government	Max award as % of TDC	% of TDC from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

[1] The Calculated HOME Rents in this section refers to the calculated rent for a household earning 65% of the area median income for High HOME or 50% of the area median income for Low HOME before considering the HUD determined Fair Market Rent. The final High and Low HOME Rents for underwriting, operations and compliance is always limited to the lesser of this calculated rent and the HUD determined Fair Market Rent.

The remaining percentage~~10%~~ of total development cost must be in the form of permanent loans with a maturity of at least 20 years, in-kind contributions or grants from third-party private or public entities. Developments with USDA or other government-sponsored loans that will remain as permanent financing may be used to satisfy ~~the 10% total development cost~~ this requirement from a public or private entity. Loans or grants from the Department will not satisfy this requirement. 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 before considering the proposed HOME funds, a repayable loan, in whole or part,~~ or partial loan~~ will be recommended.

d) The RAF tables listed below specify the allocation of funds based on the 13 Uniform State Service Regions and the rural and urban county distribution for each region.

Table 1. Regional, Rural, and Urban Funding Amounts for Rental Housing Development

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$169,325	5.6%	$169,294	100.0%	$31	0.0%
2	Abilene	$111,157	3.7%	$108,805	97.9%	$2,352	2.1%
3	Dallas/Fort Worth	$530,609	17.7%	$162,904	30.7%	$367,705	69.3%
4	Tyler	$381,394	12.7%	$297,448	78.0%	$83,946	22.0%
5	Beaumont	$176,283	5.9%	$159,645	90.6%	$16,638	9.4%
6	Houston	$213,041	7.1%	$87,421	41.0%	$125,619	59.0%
7	Austin/Round Rock	$127,635	4.3%	$71,865	56.3%	$55,771	43.7%
8	Waco	$140,796	4.7%	$74,887	53.2%	$65,909	46.8%
9	San Antonio	$153,145	5.1%	$96,097	62.7%	$57,048	37.3%
10	Corpus Christi	$217,008	7.2%	$179,805	82.9%	$37,203	17.1%
11	Brownsville/Harlingen	$527,286	17.6%	$382,352	72.5%	$144,934	27.5%
12	San Angelo	$152,314	5.1%	$106,302	69.8%	$46,012	30.2%
13	El Paso	$100,008	3.3%	$55,517	55.5%	$44,491	44.5%
	Total	$3,000,000	100.0%	$1,952,341	65.1%	$1,047,659	34.9%

Table 2. Regional, Rural, and Urban Funding Amounts for Rental Housing Preservation Development

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban Funding Amount	Urban Funding %
1	Lubbock	$112,884	5.6%	$112,863	100.0%	$21	0.0%
2	Abilene	$74,105	3.7%	$72,537	97.9%	$1,568	2.1%
3	Dallas/Fort Worth	$353,739	17.7%	$108,603	30.7%	$245,136	69.3%
4	Tyler	$254,262	12.7%	$198,299	78.0%	$55,964	22.0%
5	Beaumont	$117,522	5.9%	$106,430	90.6%	$11,092	9.4%
6	Houston	$142,027	7.1%	$58,281	41.0%	$83,746	59.0%
7	Austin/Round Rock	$85,090	4.3%	$47,910	56.3%	$37,181	43.7%
8	Waco	$93,864	4.7%	$49,924	53.2%	$43,940	46.8%
9	San Antonio	$102,097	5.1%	$64,065	62.7%	$38,032	37.3%
10	Corpus Christi	$144,672	7.2%	$119,870	82.9%	$24,802	17.1%
11	Brownsville/Harlingen	$351,524	17.6%	$254,901	72.5%	$96,623	27.5%
12	San Angelo	$101,542	5.1%	$70,868	69.8%	$30,675	30.2%
13	El Paso	$66,672	3.3%	$37,011	55.5%	$29,661	44.5%
	Total	$2,000,000	100.0%	$1,301,561	65.1%	$698,439	34.9%

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 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, which involve only the acquisition, rehabilitation ~~and~~ or construction of affordable rental developments.

b) Prohibited activities include those under federal HOME rules at 24 CFR §92.214 and 10 TAC §53.37.

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 §53.42 of the Department's HOME rule, and ineligibility with any requirements under 10 TAC §50.5(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) 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) **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 §200.926. 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 Qualified Allocation Plan (QAP), 10 TAC §50.9(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 current Qualified Allocation Plan and Rules 10 TAC §50.6, 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).

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).

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), 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).

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).

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. Developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8 are ~~not required to target individuals or families at 30% or less of the area median family income~~exempt from this minimum target requirement.

iv) To encourage the involvement of other public agencies and private entities in affordable housing, applicants must provide a minimum ~~of~~ percentage ~~10%~~ of the total development costs in loans, in-kind contributions, or grants from third-party~~other~~ public ~~agencies and/~~or private entities ~~unless the proposed development is located in an area where the HUD Fair Market Rents are less than the High HOME Rent~~as identified in section (2)(c) of this NOFAs. ~~Developments with USDA or other government-sponsored loans that will remain as permanent financing may be used to satisfy the 10% total development cost requirement from a public or private entity.~~

v) All of the Qualified Allocation Plan and Rules in effect at the time of application submission at 10 TAC §50.9(h), excluding subsections (4) (I), (11), (12) and (15).

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 §53.48, 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.

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 10 TAC §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 considered for placement on the next available Board meeting agenda.

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 considered for placement on the next available Board meeting agenda.

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 §53.42 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, will be terminated with notice and rights to appeal but without being processed as an Administrative Deficiency.

c) A site visit may 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 §53.6, 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 April 30, 2009.** 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.

b) If an Application is submitted to the Department that requests funds from two separate housing finance programs, 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.

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

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 Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008 Final ASPM.

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 electronic or scanned copy stored on compact disc of the application materials as detailed in the 2008 Final ASPM.

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

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.

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 a reimbursable cost under the HOME Program.

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 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

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Community Housing Development Organization (CHDO) Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program 2008 Community Housing Development (CHDO) Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA).

Background

This item was presented to the Board at the May 2008 Board meeting and tabled so that staff could garner further public input.

On March 24, 2008, the Department received its Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development. The approval and agreement included $40,043,225 for the Department's Program Year 2008 allocation of the HOME Investment Partnerships Program. The Department's 2008 Consolidated Annual Action Plan, as approved by HUD, includes a $5,966,488 set-aside for Community Housing Development Organizations and is the basis for the presentation of this NOFA to the Board. As proposed, the NOFA makes funding available to CHDO's for the development of affordable rental housing for low-income Texans. The funds are subject to the Regional Allocation Formula (RAF) for each Uniform State Service Region. The availability and use of these funds are subject to the Department's HOME Program Rule (10 TAC Chapter 53) and the federal regulations governing the HOME Program (24 CFR Part 92). An open application cycle method will be used to process applications received in response to this NOFA.

June 6, 2008, Department staff held a roundtable with interested participants to discuss the following questions posed by the Board at the May, 8 2008 Board meeting:

- Is the 10% leveraging requirements for rental developments appropriate in all situations? and
- What should the lien position of the Department be when HOME funds are used in conjunction with other housing funding sources?

The roundtable was attended by 17 members of the development community and diverse concepts were discussed. While an absolute consensus was not achieved, there was considerable support and preference expressed for eliminating the 10% leveraging requirement altogether. If such elimination was not possible, there was support for a sliding scale of the leveraging requirement based upon the size of the city in which the development was proposed or based upon the level of rents that could be achieved in the market. After considerable debate, most believed that a scale based upon the level of achievable rents would be the better method of eliminating the leverage requirement. In order to limit differences of opinion with regard to what rents were achievable, most agreed that using the HUD determined Fair Market Rents as compared with the High HOME rents calculated based upon the area median income would provide a fair measure with which to size the leverage requirement. While most of the roundtable participants believed that a resolution of support from local government could be garnered as a sign of need in a community to support an application, most were not in favor of including a resolution as a substitute for all or a portion of the required leveraging.

Staff does not support the complete elimination of the 10% leveraging requirement but understands the difficulties experienced in proposing rental housing development in rural communities. Therefore to address the input of the round table, staff is recommending and has included in the NOFA a partial exception to the 10% requirement for developments that are proposed in areas where the HUD Fair Market Rents are less than the High HOME Rents. Staff also proposes to include a partial exception to the 10% leveraging if the applicant provides a resolution from the local government indicating support of the proposed property when a financial contribution from the local government to the development is also being made. Staff proposes the following sliding scale for leveraging based upon the inclusion of these two concepts:

Rent	Resolution from Local Government	Maximum award as % of TDC*	% of TDC* from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

* Total Development Costs (TDC)

There was also considerable support for doing away with the underwriting requirement of a first lien for the Department when the Department has the largest amount of funds in the development. As an alternative, most attendees supported a requirement that the Land Use Restriction Agreement be superior to all liens so that even after any future foreclosure the Department's affordability restrictions remain in place. At a minimum, this lien position question should be considered on a case by case basis such that the Department's insistence upon it does not eliminate the ability to get third-party financing from a conventional lender.

The Department's lien priority requirements are not expressly defined in the proposed NOFA and therefore no changes to the NOFA are proposed. Staff believes this issue should be further considered and addressed in a Department wide loan policy to be adopted by the Board. The staff is in the early stages of developing such policy to bring to the Board later this year.

To increase the partnerships between private developers and CHDO's in rural areas, staff requests board action to waive 10 TAC 53 §53.47(a)(6) to allow an increase in the maximum award amount for rental housing development activities in the CHDO NOFA from $3,000,000 to $4,000,000.

The proposed NOFA is attached with blackline reflecting staff's recommendation regarding the 10% leveraging requirement; the blackline is made to the draft version of the NOFA submitted to the Board at the May 2008 meeting.

Recommendation

Staff recommends approval of the 2008 Community Housing Development (CHDO) Rental Housing Development Program Notice of Funding Availability (NOFA) and approval to release for publication in the *Texas Register*.

Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

Community Housing Development Organization (CHDO)
Rental Housing Development Program
Notice of Funding Availability (NOFA)

1) Summary

The Texas Department of Housing and Community Affairs ("the Department") announces the availability of approximately $5,966,488 in funding from the HOME Investment Partnerships Program for Community Housing Development Organizations (CHDO) to develop affordable rental housing for low-income Texans. The availability and use of these funds is subject to the Department's HOME Program Rule at Title 10 Texas Administrative Code (10 TAC) Chapter 53 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 the Department's allocation of HOME funds from the U. S. Department of Housing and Urban Development (HUD). The funds are set-aside for eligible CHDO 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) In accordance with 10 TAC §53.48, this NOFA will be conducted as an open application cycle and funding will be available on a first-come, first-served basis. Applications will be accepted and subject to the Regional Allocation Formula until 5:00 p.m. **August 25,**

2008. Any funds not requested in an application received by 5:00 p.m. **August 25, 2008**, will collapse into an open application cycle with funding available statewide and not subject to the RAF. 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. Based on the availability of funds, applications for the statewide open application cycle will be accepted until 5:00 p.m. **April 30, 2009.**

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 §53.41. Award amounts are limited to no more than $4,000,000 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~~ Total Development Costs ("TDC") unless a resolution of support and commitment for a financial contribution to the development is made by the local unit of government in which the proposed development resides or the proposed development is located in an area where the HUD Fair Market Rents are less than the Calculated HOME Rents[1] but will be limited follows:

Rent	Resolution from Local Government	Max award as % of TDC	% of TDC from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

The remaining percentage ~~10%~~ of total development cost must be in the form of permanent loans with a maturity of at least 20 years, in-kind contributions or grants from third-party private or public entities. Developments with USDA or other government-sponsored loans that will remain as permanent financing may be used to satisfy ~~the 10% total development cost~~ this requirement from a public or private entity. Loans or grants from the Department will not satisfy this requirement. 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

[1] The Calculated HOME Rents in this section refers to the calculated rent for a household earning 65% of the area median income for High HOME or 50% of the area median income for Low HOME before considering the HUD determined Fair Market Rent. The final High and Low HOME Rents for underwriting, operations and compliance is always limited to the lesser of this calculated rent and the HUD determined Fair Market Rent.

the anticipated debt coverage ratio in the year after completion exceeds 1.35 before considering the proposed HOME funds, a repayable loan, in whole or part ~~or partial loan~~ will be recommended.

d) The RAF table listed below specifies the allocation of funds based on the 13 Uniform State Service Regions and the rural and urban distribution for 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	$336,759	5.6%	$336,697	100.0%	$62	0.0%
2	Abilene	$221,073	3.7%	$216,394	97.9%	$4,678	2.1%
3	Dallas/Fort Worth	$1,055,290	17.7%	$323,989	30.7%	$731,302	69.3%
4	Tyler	$758,527	12.7%	$591,573	78.0%	$166,954	22.0%
5	Beaumont	$350,596	5.9%	$317,507	90.6%	$33,089	9.4%
6	Houston	$423,701	7.1%	$173,866	41.0%	$249,836	59.0%
7	Austin/Round Rock	$253,845	4.3%	$142,926	56.3%	$110,919	43.7%
8	Waco	$280,019	4.7%	$148,937	53.2%	$131,082	46.8%
9	San Antonio	$304,580	5.1%	$191,121	62.7%	$113,459	37.3%
10	Corpus Christi	$431,592	7.2%	$357,601	82.9%	$73,990	17.1%
11	Brownsville/Harlingen	$1,048,681	17.6%	$760,432	72.5%	$288,249	27.5%
12	San Angelo	$302,926	5.1%	$211,416	69.8%	$91,510	30.2%
13	El Paso	$198,898	3.3%	$110,413	55.5%	$88,485	44.5%
	Total	$5,966,488	100.0%	$3,882,873	65.1%	$2,083,615	34.9%

e) 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, with the exception that CHDO's who have never received a HOME award from the Department may receive Operating Expenses in accordance with 10 TAC §53.47(a)(7). 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.

f) 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 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 53.50, which involve only the acquisition, rehabilitation or construction of affordable developments.

b) Prohibited activities include those under federal HOME rules at 24 CFR §92.214 and 10 TAC §53.37.

c) 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 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 §53.50, 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) 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.

c) Applicants may be ineligible for funding if they meet any of the criteria listed in §53.42 of the Department's HOME rule, and ineligibility with any requirements under 10 TAC §50.5 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) **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 §200.926. 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 current Qualified Allocation Plan and Rules 10 TAC §50.6, 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).

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 of this title, pursuant to 10 TAC 53.45 (c).

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), 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).

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).

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 median family income for the development site. Additionally, 20% of the total units proposed must be HOME units. Developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8~~ are not required to target individuals or families at 30% or less of the area median family income~~ are exempt from this minimum target requirement.

iv) To encourage the involvement of other public agencies and private entities in affordable housing, applicants must provide a minimum ~~of~~ percentage ~~10%~~ of the total development costs in loans, in-kind contributions, or grants from third-party ~~other~~ public ~~agencies and/~~or private entities as identified in section 2(c) of this NOFA. ~~Developments with USDA or other government sponsored loans that will remain as permanent financing may be used to satisfy the 10% total development cost requirement from a public or private entity.~~

v) All of the Qualified Allocation Plan and Rules in effect at the time of application submission at 10 TAC §49.9(h), excluding subsections (4)(I), (11), (12) and (15).

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 §53.48, 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.

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 considered for placement on the next available Board meeting agenda.

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 considered for placement on the next available Board meeting agenda..

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 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, will be terminated with notice and rights to appeal but without being processed as an Administrative Deficiency.

c) 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 §53.6, 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.

10) Application Submission

a) All applications submitted under this NOFA must be received on or before 5:00 p.m. on **April 30, 2009**. 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.

b) If an Application is submitted to the Department that requests funds from two separate housing finance programs, 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.

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

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 Final ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008 Final ASPM.

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 electronic or scanned copy stored on compact disc of the application materials as detailed in the 2008 Final ASPM.

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

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.

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 a reimbursable cost under the HOME Program.

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.*

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the transfer of:

- The remaining balances from the current HOME Investment Partnerships Program Community Housing Development Organization (CHDO) to the new 2008 HOME Investment Partnerships Program Community Housing Development Organization (CHDO) Notice of Funding Availability (NOFA).
- The remaining balances from the current HOME Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA) to the new Rental Housing Development (RHD) Program Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the transfer of remaining balances from the current HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's) to the new 2008 HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's).

Background

At the May 2008 board meeting, the Board approved an increase of $12,000,000 in the total amount of funds available under the existing Rental Housing Development (RHD) NOFA and $6,000,000 in the total amount of funds available under the Community Housing Development Organization (CHDO) NOFA. That action made available uncommitted and deobligated HOME funds for applications and funding requests received by the Department in response to these NOFA's. The application deadline for both of these NOFA's was June 2, 2008 and both of these NOFA's are oversubscribed. Staff will continue to review all applications received for eligibility and feasibility and for possible award recommendations at the July 2008 board meetings since most of the applications received include a housing tax credit allocation request.

On today's Board agenda staff is requesting Board approval of new 2008 HOME Investment Partnerships Program Community Housing Development Organization (CHDO) and Rental Housing Development (RHD) Program Notices of Funding Availability (NOFA's). If these 2008 NOFA's are approved, staff requests approval to transfer any unawarded balances in each of the current NOFA's no later than October 1, 2008 to the applicable new 2008 RHD and CHDO NOFA's. This action allows the programmed funds to remain available to the designated activities while ensuring that the guidelines of the most current NOFA's are followed.

Recommendation

Conditioned on approval of the 2008 HOME Rental and CHDO NOFA's at this Board meeting, approve the transfer of any unawarded balances in each of the current noted NOFA's no later than October 1, 2008 to the applicable new 2008 RHD and CHDO NOFA's.

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program for Persons with Disabilities Notice of Funding Availability (NOFA).

Requested Action

Approve, Deny or Approve with Amendments the HOME Investment Partnerships Program 2008 Rental Housing Development (RHD) Program for Persons with Disabilities Notice of Funding Availability (NOFA).

Background

On March 24, 2008, the Department received its Funding Approval and Grant Agreement from the U.S. Department of Housing and Urban Development (HUD). The approval and agreement included $40,043,225 for the Department's 2008 allocation of the HOME Investment Partnerships Program. The Department's 2008 Consolidated Annual Action Plan (Con Plan), as approved by HUD, includes a $2,000,000 set-aside to serve Persons with Disabilities and is the basis for the presentation of this NOFA to the Board. The Con Plan describes that this set-aside may be made available in one or two NOFA's; in the Con Plan the funds were divided with $1.5 million being made available for Homebuyer Assistance and Tenant-Based Rental Assistance and $500,000 made available for Rental Housing Development (RHD).

Over the last several months, HOME staff has attended meetings with the Department's Disability Advisory Workgroup (DAW) to gain a greater understanding of the community's housing need and obtain input on the programming of these funds for housing programs to assist Persons with Disabilities. In order to provide additional funding support, HOME staff reconciled funds from previous years that had been set-aside to assist persons with disabilities but that had either been uncommitted or deobligated. Through the analysis, an additional $1,175,307 in funds is available to assist housing programs for persons with disabilities. It is important to note, since these funds are reconciled from prior years, they are subject to previous statutory restrictions with $429,659 restricted to non-Participating Jurisdictions (non-PJ) and the remaining $745,648 available statewide.

On June 2, 2008, HOME staff attended the DAW meeting and received the following input regarding the programming of both the 2008 allocation and the reconciled PWD funds. In order to facilitate the distribution of the uncommitted and deobligated funds following the non-PJ requirements, the recommendation is to combine these funds with $500,000 from the 2008 allocation for rental housing development as defined in the Con Plan. This would make a total of $1,675,307 available for Rental Housing Development, with $429,659 restricted to non-PJ areas and $1,245,648 available for any area of the state. While there was discussion regarding the $1,500,000 remaining in the 2008 set-aside for Persons with Disabilities, a final determination regarding the need to allocate to a specific activity (such as Homebuyer Assistance or Tenant-Based Rental Assistance) has not been concluded. HOME staff anticipates presenting a NOFA for the remaining $1,500,000 2008 Persons with Disabilities set-aside at the July 21st Board meeting.

The Rental Housing Development Program for Persons with Disabilities is available for proposals which involve new construction, rehabilitation, or acquisition and rehabilitation of affordable rental housing development activities.

As proposed, the NOFA makes $1,675,307 in funding available to eligible applicants for the development of affordable rental housing for low-income Persons with Disabilities. With the exception of $429,659 not being available in a PJ, the funds are available statewide and are not subject to the Regional Allocation Formula (RAF). The availability and use of these funds are subject to the Department's HOME Program Rule (10 TAC Chapter 53) and the federal regulations governing the HOME Program (24 CFR Part 92). An open application cycle method will be used to process applications received in response to this NOFA.

On June 6, 2008, Department staff held a roundtable with interested participants to discuss the following questions posed by the Board at the May, 8 2008 Board meeting:

- Is the 10% leveraging requirements for rental developments appropriate in all situations? and
- What should the lien position of the Department be when HOME funds are used in conjunction with other housing funding sources?

The roundtable was attended by 17 members of the development community and diverse concepts were discussed. While an absolute consensus was not achieved, there was considerable support and preference expressed for eliminating the 10% leveraging requirement altogether. If such elimination was not possible, there was support for a sliding scale of the leveraging requirement based upon the size of the city in which the development was proposed or based upon the level of rents that could be achieved in the market. After considerable debate, most believed that a scale based upon the level of achievable rents would be the better method of eliminating the leverage requirement. In order to limit differences of opinion with regard to what rents were achievable, most agreed that using the HUD determined Fair Market Rents as compared with the High HOME rents calculated based upon the area median income would provide a fair measure with which to size the leverage requirement. While most of the roundtable participants believed that a resolution of support from local government could be garnered as a sign of need in a community to support an application, most were not in favor of including a resolution as a substitute for all or a portion of the required leveraging.

Staff does not support the complete elimination of the 10% leveraging requirement but understands the difficulties experienced in proposing rental housing development in rural communities. Therefore to address the input of the round table, staff is recommending and has included in the NOFA a partial exception to the 10% requirement for developments that are proposed in an area where the HUD Fair Market Rents are less than the High HOME Rents. Staff also proposes to include a partial exception to the 10% leveraging if the applicant provides a resolution from the local government indicating support of the proposed property when a financial contribution from the local government to the development is also being made. Staff proposes the following sliding scale for leveraging based upon the inclusion of these two concepts:

Rent	Resolution from Local Government	Maximum award as % of TDC*	% of TDC* from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

* Total Development Costs (TDC)

There was also considerable support for doing away with the underwriting requirement of a first lien for the Department when the Department has the largest amount of funds in the development. As an alternative, most attendees supported a requirement that the Land Use Restriction Agreement be superior to all liens so that even after any future foreclosure the Department's affordability restrictions remain in place. At a minimum, this lien position question should be considered on a case by case basis such that the Department's insistence upon it does not eliminate the ability to get third-party financing from a conventional lender.

The Department's lien priority requirements are not expressly defined in the proposed NOFA and therefore no changes to the NOFA are proposed. Staff believes this issue should be further considered and addressed in a Department wide loan policy to be adopted by the Board. The staff is in the early stages of developing such policy to bring to the Board later this year.

The proposed NOFA is attached reflecting staff's recommendation for the NOFA including the 10% leveraging requirement.

Recommendation

Staff recommends approval of the 2008 Rental Housing Development (RHD) Program for Persons with Disabilities Notice of Funding Availability (NOFA) and approval to release for publication in the *Texas Register*.

Texas Department of Housing and Community Affairs

HOME Investment Partnerships Program

Rental Housing Development Program for Persons with Disabilities
Notice of Funding Availability (NOFA)

1) Summary

The Texas Department of Housing and Community Affairs ("the Department") announces the availability of approximately $1,675,307 in funding from the HOME Investment Partnerships Program for the development of affordable rental housing Persons with Disabilities. 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 and accessible design/construction requirements. Applicants are encouraged to familiarize themselves with all of the applicable state and federal rules that govern the program and accessibility design guidelines.

2) Allocation of HOME Funds

a) These funds are made available through a combination of $1,175,307 in deobligated and uncommitted funds from previous funding year and $500,000 from the Department's 2008 allocation of HOME funds from the U.S. Department of Housing and Urban Development (HUD). Of the deobligated and uncommitted funds, $745,648 is available statewide and $429,659 is limited for use in a non-Participating Jurisdiction (non-PJ). These HOME funds have been set-aside for rental housing development proposals which involve new construction, rehabilitation, acquisition and rehabilitation of affordable rental housing development activities to assist Persons with Disabilities. All funds released under this NOFA are to be used for the creation of affordable adapted and accessible rental housing for Persons with Disabilities earning 60% percent or less of the Area Median Family Income (AMFI).

b) Approximately $1,245,648 will be available statewide for HOME units that serve persons with disabilities. The remaining $429,659 in funds is restricted for non-PJ use in rural areas for units that are serving persons with disabilities.

c) In accordance with 10 TAC 53.48, 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. **October 3, 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 53.41. Award amounts are limited to no more than $500,000 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 ("TDC") unless a resolution of support and commitment for a financial contribution to the development is made by the local unit of government in which the proposed development resides or the proposed development is located in an area where the HUD Fair Market Rents are less than the Calculated HOME Rents[1] but will be limited as follows:

Rent	Resolution from Local Government	Max award as % of TDC	% of TDC from other sources
FMR greater than High Home	No	90%	10%
FMR greater than High Home	Yes	92%	8%
FMR less than High Home	No	93%	7%
FMR less than High Home	Yes	95%	5%
FMR greater than Low Home	No	96%	4%
FMR less than Low Home	Yes	98%	2%

[1]The Calculated HOME Rents in this section refers to the calculated rent for a household earning 65% of the area median income for High HOME or 50% of the area median income for Low HOME before considering the HUD determined Fair Market Rent. The final High and Low HOME Rents for underwriting, operations and compliance is always limited to the lesser of this calculated rent and the HUD determined Fair Market Rent.

The remaining percentage of total development cost must be in the form of permanent loans with a maturity of at least 20 years, in-kind contributions or grants from third party private or public entities. Developments with USDA or other government-sponsored loans that will remain as permanent financing may be used to satisfy this requirement from a public or private entity. 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 before considering the proposed HOME funds, a repayable loan in whole or part 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 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, which involve only the acquisition, rehabilitation or construction of affordable rental developments.

b) Prohibited activities include those under federal HOME rules at 24 CFR 92.214 and 10 TAC 53.37.

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 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 §53.42 of the Department's HOME rule, and ineligibility with any requirements under 10 TAC 50.5(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 60% 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 Qualified Allocation Plan (QAP), 10 TAC 50.9(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 2008 Qualified Allocation Plan and Rules 10 TAC 50.6, 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).

8) Threshold Criteria

a) Housing units subsidized by HOME funds must be affordable to low, very-low or extremely low-income persons with disabilities. 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).

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), 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).

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).

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 units serving persons with disabilities for individuals or families earning 30% or less of area median income. In addition, the applicant must target a minimum of 5% of the units serving persons with disabilities for individuals or families earning 50% or less of area median income. Developments with existing and continuing USDA 515 program loans and rental assistance or project-based Section 8 are exempt from this minimum target requirement.

iv) To encourage the involvement of other public agencies and private entities in affordable housing, applicants must provide a minimum percentage of the total development cost in loans, in-kind contributions, or grants from third party public or private entities.

v) All of the 2008 Qualified Allocation Plan and Rules at 10 TAC 50.9(h), excluding subsections (4)(I), (11), (12) and (15).

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 53.48, 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.

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 considered for placement on the next available Board meeting agenda.

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 considered for placement on the next available Board meeting agenda. .

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 53.42 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 with notice and rights to appeal but without being processed as an Administrative Deficiency.

c) A site visit may 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 53.6, 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 **October 3, 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 Lora Lange at 512-475-3033 or via e-mail at lora.lange@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.

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

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 ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008 ASPM.

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 ASPM. All scanned copies must be scanned in accordance with the guidance provided in the 2008 ASPM.

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

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.

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.

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 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

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of Request for Amendments to HOME Investment Partnerships Program Contracts/Commitments:

1000308	Frio County	OCC
1000298	Town of Anthony	OCC
1000487	City of Bonham	OCC

Requested Action

Approve, Deny or Approve with Conditions Request for Amendment to HOME Investment Partnerships Program Commitment/Contracts:

1000308	Frio County	OCC
1000298	Town of Anthony	OCC
1000487	City of Bonham	OCC

Frio County

Background

Frio County is requesting a six month extension amendment that would result in total cumulative contract extensions of 13 months.

Frio County (Administrator) requested an amendment to extend the contract by six months to October 31, 2008 and to reduce the number of households served from 10 to 6. Such a reduction in households would result in the decrease of program funds by $176,800, which includes $170,000 in project funds and $6,800 in administrative funds. Match also would be reduced by $38,544 to $57,816. This would be the county's second amendment, the first of which was approved by the Board on November 9, 2006 and extended the contract by 18 months from an original end date of September 30, 2006 to April 30, 2008. This contract is one of several for which Carlos Colina-Vargas served as consultant.

The first consideration for this request is that this contract is one that has made the most progress of the Colina-Vargas contracts. In November 2006 and with the approval of the first amendment, the board required the termination of the consulting service provider agreement with Mr. Colina-Vargas. The Administrator procured another consulting firm in December 2006 and six households are currently setup in the Department's Contract System, four of which have been completed. Two of the completed homes are manufactured housing units (MHU), while the other two have been rehabilitated. Because the current contract ended on April 30, 2008, the Administrator is drawing funds for these four activities pursuant to the HOME Division's 60-day grace period following the contract end date.

Because the contract is now expired, the extension would allow for the completion of two activities, which were already setup in the Contract System prior to contract expiration. One of these two activities is for reconstruction of the housing unit and was approved for setup in the Contract System on September 18, 2007. Due to a misunderstanding on behalf of the Administrator's consultant regarding the processing of the amendment request, the existing home associated with this activity was demolished in April 2008. This action by the Administrator violates Section 4E of their contract, which states that "Any home demolished that cannot be completed within 90 days prior to the end of the first amendment (April 30, 2008) becomes the responsibility of the Administrator for completion unless approved prior to demolition."

The second activity is a housing unit that is planned to be rehabilitated. The Administrator requested setup of this activity on January 29, 2008 and the Department approved the setup on February 7, 2008. The loan closing is pending the processing of guardianship documents by the county.

The second consideration for this amendment is that the HOME Division performance and program staff have provided extensive technical assistance to move this contract forward. The completed units in this contract are some of the first to move successfully through the Department's new loan closing process for the Owner-Occupied Housing Assistance Program. The additional extension and household reduction for this contract, which experienced significant challenges due to a previous consultant, would validate the successful efforts of the county, its new consultant, and the HOME staff.

Current Contract Status

Amendment Number:	2
Administrator:	Frio County
Consultant:	Public Management
Activity Type:	OCC
Contract Executor:	Carlos Garcia, County Judge
Contract Start Date:	October 1, 2004
Original Contract End Date:	September 30, 2006
Amended End Date:	April 30, 2008
Service Area:	Frio County
Total Original Budget Amount:	$520,000.00
Households Required:	10
Households Assisted:	6
Amount Committed To-Date:	$294,109.89
Project Amount Drawn To-Date:	$47,893.00
Admin. Amount Drawn To-Date:	$2,000

Modification Request

Requested End Date:	October 31, 2008
Total Requested Budget Amount:	$343,200.00
Requested Project Amount:	$330,000.00
Requested Administration Amount:	$13,200.00
Requested Households to Serve:	6

Recommendation

Based on current rules and contractual requirements, staff is not recommending approval of this request. However, should the Board choose to provide an additional time extension staff recommends:

- The reduction in the number of households required to be served from 10 to 6, which would result in the decrease of program funds by $176,800, which includes $170,000 in project funds and $6,800 in administrative funds;
- Approval to assist the household for which the housing unit has been demolished but the costs associated with the demolition are not eligible costs since the demolition occurred before loan closing;
- Loans must close on or before August 31, 2008;
- An extension to October 31, 2008 to allow sufficient time for full execution of the contract amendment and 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 October 31, 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 will not be able to substitute or add another household; and
- The amendment is to be contingent upon any unresolved audit finding, questioned or disallowed costs, and non-compliance issue being resolved to the Department's satisfaction.

<u>Town of Anthony</u>

Background

The Town Of Anthony (Administrator) requested an amendment to extend the contract end date by six months from April 30, 2008 to October 31, 2008 and to decrease the number of households required by the contract from 4 to 2. This would result in a decrease in program funds from $187,546.00 to $72,747.30, which includes a decrease in project funds by $110,383.55 to $69,979.45 and a decrease in administrative funds by $4,415.15 to $2,797.85. This will be the Town of Anthony's second amendment. The first amendment, which was approved at the November 9, 2006 Board Meeting, extended the contract end date from September 30, 2006 to April 30, 2008. Additionally, the amendment required the Administrator to comply with the 2006 HOME Rules which included the loan requirement for the OCC Program. This contract is one of several for which Carlos Colinas-Vargas served as consultant. At the directive of the board during the November 2006 meeting, the service provider agreement with Mr. Colina-Vargas was terminated. The Administrator procured another consultant, Mr. Tom Nance, in March 2007.

The first consideration for this request is that the Administrator has identified the two households they intend to assist under this contract. The environmental clearance was completed with the assistance of the HOME Environmental Specialist on August 3, 2007 for these households. The Administrator began working with the Division's Performance Team in November 2007, at which point multiple issues were identified in the ownership documents and the income verification documentation. After working with the consultant, during November and December and still finding repeated errors, a technical assistance visit was scheduled for January 14-15, 2008. During the technical assistance visit, assistance was provided for properly verifying income and conducting procurement. Performance staff provided specific information on what documentation should be acquired from the homeowners to determine income eligibility. Additionally, the Administrator was advised that they should re-procure for a contractor as there was no documentation available to show procurement had occurred and a conflict of interest concern existed between the consultant and a construction contractor. The consultant assisted in the development of MLN Construction, a company owned by a relative. The Administrator anticipated this process taking an additional 30 days. The Administrator was also advised to submit the set-up and loan documents as soon as possible to the Department for processing.

Second, the Administrator submitted hardcopies of the documents for two households on approximately February 5, 2008; however, they failed to submit the documentation to the Department electronically through the Contract System. The Administrator experienced difficulty in accessing the Department's Contract System, which delayed approval of the activity set-ups. Upon approval of the set-ups, the loan documents were reviewed by the Program Specialist and forwarded to the Department's Closing Specialist for preparation of loan documents. The Administrator plans to complete rehabilitation on each of the households they will be assisting. The first home has an estimated rehabilitation cost of $33,000, while the second home has an estimated rehabilitation cost of $37,000. Neither of the homeowners have existing mortgages and the properties. The initial appraisals submitted for these two households reflect a value that exceeds the amount of assistance the Administrator intends to provide for the rehabilitation-only of the homes. The current loan policy requires the loan amount be calculated by subtracting the initial appraised value and 10% of the final appraised value from the final appraised value. In order to proceed with the loans for these households to be assisted, staff recommends that the loan amount equal the amount of assistance provided with no adjustment for the initial or final appraised values. Without this Board action, staff has no ability to originate a loan to assist this household.

Third, the Administrator had originally identified 5 households to assist with this contract. In January 2008, during the technical assistance visit, one of the households was disqualified for being over income. The Administrator was unable to obtain the income verification documents necessary to properly verify the income for 2 households. As a result, they will only be able to serve 2 households.

Finally, the Administrator and their consultant believe that the additional time is sufficient to allow for the completion of loan closing and rehabilitation of the homes. Although the Administrator delayed in submitting the amendment request from when it was first recommended in January 2008, the additional time would be beneficial in assisting them in serving these 2 households. With the assistance of the performance staff, the Administrator has made significant progress since August 2007 when they did not yet have environmental clearance.

Current Contract Status

Amendment Number:	2
Administrator:	Town Of Anthony
Consultant:	Tom Nance
Activity Type:	OCC
Contract Executor:	Art Franco, County Judge
Contract Start Date:	October 1, 2004
Original Contract End Date:	September 30, 2006
Amended End Date:	April 30, 2008
Service Area:	Anthony, Texas
Total Original Budget Amount:	$187,546.00
Households Required:	4
Households Committed:	2
Households Completed:	0
Amount Committed To-Date:	$69,949.45
Project Amount Drawn To-Date:	$0,000.00
Admin. Amount Drawn To-Date:	$0,000.00

Modification Request

Requested End Date:	October 31, 2008
Total Requested Budget Amount:	$72,747.30
Total Requested Project Amount:	$69,949.45
Total Requested Administration Amount:	$2,797.85
Requsted Total Households Required:	2
Requested Match Requirement:	$15,328.50

Recommendation

Based on current rules and contractual requirements, staff is not recommending approval of this request. However, should the Board choose to provide an additional time extension staff recommends:

- The reduction in the number of households required to be served from 4 to 2, which would result in the decrease of program funds by $114,799, which includes $110,384 in project funds and $4,415 in administrative funds;
- A reduction in match of $15,329;

- The loan amount equal the amount of assistance provided with no adjustment for the initial or final appraised values;
- Loans must close on or before August 31, 2008;
- An extension to October 31, 2008 to allow sufficient time for full execution of the contract amendment and 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 October 31, 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 will not be able to substitute or add another household; and
- The amendment is to be contingent upon any unresolved audit finding, questioned or disallowed costs, and non-compliance issue being resolved to the Department's satisfaction.

City of Bonham

Background

City Of Bonham (Administrator) requested an amendment to extend the contract by 6 months to October 31, 2008 and to reduce the number of households served from 10 to 4. Such a reduction in households would result in the decrease of program funds by $62,400 to $41,600, which includes a reduction of project funds by $60,000 to $40,000 and a reduction in administrative funds by $2,400 to $1,600. This would be the city's second amendment. Their first, approved February 13, 2008, extended the contract by 6 months.

The city has served three households to-date and a fourth has been identified. Of the three served, the Contract Administrator has drawn funds for two, and plans to draw funds for the third household if and when the contract is extended. The fourth household setup in the Department's Contract System is a familial relative of a Bonham City Councilmember, therefore creating a conflict of interest.

The first consideration for this request is that the housing market in Northeast Texas, much like the rest of the state and country, has tightened during the last few months. This has resulted in fewer households purchasing new homes and participating in the Homebuyer Assistance Program. Second, the conflict of interest issue for the fourth, identified household has resulted in the delay and is the primary reason for the city's contract extension request. The conflict of interest process is near resolution. The city has completed its responsibilities in the process and is awaiting a ruling from HUD, which will likely favor allowing the household to be assisted.

Current Contract Status

Amendment Number:	2
Administrator:	City Of Bonham
Consultant:	Resource Management Consulting Company
Activity Type:	HBA

Contract Executor:	Corby Alexander, City Manager
Contract Administrator	City Of Bonham
Contract Start Date:	October 3, 2005
Original Contract End Date:	October 28, 2007
Amended End Date:	April 28, 2008
Service Area:	Bonham
Total Original Budget Amount:	$104,000.00
Households Required:	10
Households Committed:	4
Households Completed:	2
Amount Committed To-Date:	$40,000.00
Project Amount Drawn To-Date:	$20,000.00
Admin. Amount Drawn To-Date:	$0,000.00

Modification Request

Requested End Date:	October 31, 2008
Total Requested Budget Amount:	$41,600.00
Requested Project Amount:	$40,000.00
Requested Administration Amount:	$1,600.00
Requsted Total Households Required:	4

Recommendation

Based on current rules and contractual requirements, staff is not recommending approval of this request. However, should the Board choose to provide an additional time extension staff recommends:

- The reduction in the number of households required to be served from 10 to 4, which would result in the decrease of program funds by $62,400, which includes $60,000 in project funds and $2,400 in administrative funds;
- Loans must close on or before October 31, 2008;
- An extension to October 31, 2008 to allow sufficient time for full execution of the contract amendment and 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 October 31, 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 will not be able to substitute or add another household; and
- The amendment is to be contingent upon any unresolved audit finding, questioned or disallowed costs, and non-compliance issue being resolved to the Department's satisfaction.

OFFICE OF THE FRIO COUNTY JUDGE

OFFICE: (830) 334-2154 • FAX: (830) 334-0010
500 E. SAN ANTONIO ST. • BOX 7 • PEARSALL, TEXAS 78061

Carlos A. Garcia
COUNTY JUDGE

March 27, 2008

Lucy Trevino, Portfolio Analysis Manager
HOME
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, TX 787111-3941

Re: Frio County HOME Contract #1000308

Dear Ms. Trevino:

With regard to the above referenced contract, Frio County would like to request a 6-month extension to the contract for the following activities:

27369	(256 CR 4402)
28242	(3395 Business IH 35E)

The loan process for CR 4402 took longer than anticipated. The other activity involves an elderly gentleman in his nineties with special circumstances. Mr. Trevino's wife is in the nursing home, but her name is on the deed. It took some time for the County Attorney to clear the matter up. Mr. Trevino is now eligible and is scheduled to close at the end of the month.

In addition, the county would like to amend the contract to reduce the number of houses from 10 to 6. The county was not able to find enough applicants to meet the 30% income threshold and the homeownership requirements. The county, however, has a number of applicants that would meet the 30%-50% income limits.

Sincerely,

Carlos A Garcia

Carlos A. Garcia

xc: Files

RECEIVED
APR 1 2008
PM&C DIVISION

RECEIVED
APR 0 7 2008
HOME DIVISION

Town of Anthony

P.O. BOX 1269
ANTHONY, TEXAS 79821

(915) 886-3944

April 1, 2008

HOME PROGRAM
TDHCA
LORA LANG, Program Manager

Re: Request for an extension to the Town of Anthony HOME program contract

Dear Ms. Lang,

The Town of Anthony respectfully requests and extension to the existing HOME program contract for an additional six months.

The Town has performed diligently as follows excerpted from the attached document of the consultant to the Town:

The Town of Anthony has diligently completed HOME program requirements;
Completed application process then re-completed application process after staff instructed the Town to do so;
The Environmental Clearance has been completed and accepted;
The Historical Commission clearance has been completed;
Completed Household income verifications (HIC) numerous times, over eight months for environmental clearance for a known environmentally exempt project to be cleared;
Two months awaiting a field visit and project review (extraordinary conditions that required extra waiting time against the contract time period);
All surveys have been completed by a Registered Professional Land Surveyor as required at the time;
All appraisals have been completed by a licensed appraiser;
All inspections and cost estimates for construction have been completed;
All homeowner documents relating to title and income have been completed;
All monthly reports have been submitted.
The Town of Anthony has completed the notification review monitoring (office of Francis Acosta)

To the best of my knowledge and understanding the documents only need to clear Legal to be sent to our Title Company for closing.

I hope after all of this successful completion of program requirements the Board of Directors or you, if authorized, can authorize a contract extension to Anthony to completely this project.

Thank you for your favorable review of the Town's request.

If this item must be placed before the next meeting, please do so and notify me so I might be present to represent the Town of Anthony.

Sincerely,

Art Franco, Mayor

CITY OF BONHAM
FANNIN COUNTY, TEXAS

April 15, 2008

Ms. Lora Lange, HOME Performance Manager
HOME Portfolio Management and Compliance
Texas Department of Housing & Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RE: TDHCA Contract No. 1000487
American Dream Down-payment Initiative
City of Bonham

Dear Ms. Lange:

The City of Bonham is requesting a time extension on the above referenced project. The City's TDHCA grant is designed to provide down payment assistance to low to moderate income persons seeking to purchase a home.

Currently, we have closed on three homes in the City of Bonham. Additionally, we have an application for Jessie and Cynthia Waits who qualifies for assistance through the program. These funds are desperately needed for them to purchase a home. They have no other options. The home they would like to purchase is owned by a council member. We are currently going through the process of addressing the Conflict of Interest. In the event this takes more time than the contract allows we are asking for an extension. These funds are desperately needed.

The City of Bonham is very committed to this project. They have made increased efforts to notify citizens through newspaper publications and by notifying local realtors. The City has experienced increased interest however; due to a slow down in the real-estate market and stricter lending practices it has caused fewer people to qualify for a loan. Therefore, we respectably request the contract end date to be changed to October 28, 2008.

Should you have any questions or require additional information, please contact Denise Dority at 903/784-6439.

Sincerely,

Corby D. Alexander
City Manager

RECEIVED
APR 22 2008
HOME DIVISION

HOME DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of 2008 Housing Trust Fund 2008 Homeownership SuperNOFA Program award recommendations and $1 million increase in the amount of funding available under the NOFA.

Requested Action

Approve, Deny or Approve with Amendments the Housing Trust Fund 2008 Homeownership SuperNOFA Program award recommendations and $1 million increase in the amount of funding available under the NOFA.

Background and Recommendations

Summary

On January 31, 2008, the Board approved the Housing Trust Fund 2008 Homeownership SuperNOFA Program Notice of Funding Availability (NOFA) which made available $1 million to be utilized for the rebuilding or rehabilitation of affordable housing for homeowners and gap financing or downpayment assistance for first-time homebuyers. Eligible households must earn 50% or less of the Area Median Family Income (AMFI) as defined by the U. S Department of Housing and Urban Development (HUD), with incentive provided to serve households earning 30% or less of the AMFI. Applications from units of general local governments, non-profit organizations, for-profit organizations, and public housing authorities are being reviewed on a first-come, first-served basis for Mortgage Assistance, Downpayment Assistance or Rehabilitation Assistance.

Mortgage Assistance provides assistance to homeowners for the acquisition, new construction or reconstruction costs to rebuild single family housing affected by a disaster other than Hurricane Rita. Eligible homeowners must provide evidence of prior homeownership and principal residence status of the home proposed to be rebuilt. Assistance will be in the form of a zero percent (0%) interest, 30-year term, amortizing loan creating a 1st lien. All properties must meet all applicable building and safety codes, ordinances and standards, local zoning ordinances and HUD's Housing Quality Standards (HQS) at the completion of assistance. If a home is newly constructed it must also meet federal energy requirements as defined by HUD. The maximum loan amount per homeowner is $70,000.

Downpayment Assistance provides assistance to homebuyers for down payment and gap financing for the acquisition of single family housing. Eligible first-time homebuyers must not have owned a home in the three (3) years prior to the receipt of assistance. Assistance will be in the form of a zero percent (0%) interest, 10-year deferred, forgivable loan creating a 2nd or 3rd lien. Homebuyer Counseling must be provided to each household served. All properties must meet all applicable building and safety codes, ordinances and standards, local zoning ordinances and HUD's Housing Quality Standards (HQS) at the completion of assistance. If a home is newly constructed it must also meet federal energy requirements as defined by HUD. The maximum loan amount per homebuyer is $10,000.

Rehabilitation Assistance provides assistance to homeowners for the rehabilitation of single family housing including architectural barrier removal. Eligible homeowners must provide evidence of homeownership and principal residence status of the home proposed to be rehabilitated. Assistance will be in the form of a zero percent (0%) interest, 20-year deferred, forgivable loan creating a 1st, 2nd or 3rd lien. All properties must meet all applicable building and safety codes, ordinances and standards, local zoning ordinances and HUD's Housing Quality Standards (HQS) at the completion of assistance. If a home is newly constructed it must also meet federal energy requirements as defined by HUD. The maximum loan amount per homeowner is $30,000.

The Department has received 9 applications for funding requests totaling $1,931,191 in project funds and $81,309 in administrative funds. Of the 9 applications received, one application was withdrawn and one application has been awarded. Four applications are being recommended to the Board for award recommendations today and totaling $726,191 in project funds and $23,809 in administrative funds.

The final application deadline date for the Homeownership SuperNOFA is June 27, 2008. Attached is an application log reflecting all applications received in response to this NOFA.

The 2008 Homeownership SuperNOFA is currently oversubscribed by $762,500. Fort Worth Habitat for Humanity requested a total of $262,500 which is $12,500 over the maximum award per applicant as stated in the NOFA. Therefore, the eligible oversubscription amount is $750,000. Three applications are currently undergoing review and will be considered at an upcoming board meeting if they meet the Department's eligibility requirements. While there are insufficient funds currently available in the NOFA in order to allow staff to make award recommendations for these last applicants, the Board may have the ability to add funds to this activity with unprogrammed funds available through the receipt of loan repayments and the deobligation of previous awards.

Since the NOFA application deadline date is June 27, 2008 and the NOFA is already oversubscribed by $750,000, staff requests Board approval to increase the funding available for this NOFA by $1,000,000. If additional funding is approved by the Board, any future award recommendations will be presented to the Board for approval.

Two applications, each for a different activity, were submitted from Community Housing Services Corporation Inc. (CHSCI). Staff recommended changes to the applicant to maximize their funding requests in accordance with the maximum amount of funds available per unit. These adjustments were accepted by CHSCI and the recommendations are based on the adjustments to the award in administrative and project funds. Attached is an award recommendation log. Staff has provided a brief description of the applicants being recommended for an award below:

Community Council of Southwest Texas, Inc. (CCSWT) is a 501(c)(3) nonprofit corporation chartered with the State of Texas since 1965. From 1997 through 2003 CCSWT partnered with the Housing Assistance Council (HAC) to implement Rural Housing Services and assist 256 families in rehabilitating existing units or in purchasing a new home. Beginning in 1998 and running through 2005, the agency has received annual awards from TDHCA for moving families out of poverty and for implementing an efficient case-management program. CCSWT successfully administered a $520,000 First Time Homebuyer Program through funding from the American Dream Downpayment Initiative (ADDI), which assisted 50 low-income families with the acquisition of affordable single family housing. Also, CCSWT is currently administering a $100,000 Housing Preservation Grant Program to assist sixteen (16) low-income homeowners with the rehabilitation of their homes in the counties of Dimmit, Maverick, Uvalde, and Zavala. The applicant is requesting $250,000 in project and administrative funds for Downpayment Assistance to assist 24 homebuyers.

Community Housing Services Corporation, Inc. (CHSCI) is a 501(c)(3) nonprofit corporation which incorporated in 1998 as an instrumentality to the San Benito Housing Authority. The property purchased by CHSCI is targeted to low- and very low-income families in the form of affordable rental housing. At the time of the HTF application, CHSCI had acquired a total of 28 apartment units in two developments: Cash Street Apartments and Yvette Apartments. CHSCI has performed all aspects of applicant relations, lease enforcement, rent collections, management of maintenance and project budgeting. This applicant submitted two applications, one for Rehabilitation Assistance and one for Downpayment Assistance. The staff recommendation reflects the adjustments to both awards for a total of $189,000 in Rehabilitation Assistance for six households and $61,000 in Downpayment Assistance for six households.

The City of New Braunfels was incorporated in 1995. The City of New Braunfels is in the fourth year of its Five Year Consolidated Plan and has exceeded its goal to assist 10 households a year during the five-year period. Since 2003, the City's Housing and Community Development Department has provided assistance to sixty-six (66) households through its New Braunfels Minor Home Repair Program which is funded by a Community Development Block Grant. The City assisted eighteen (18) households through a 2004 and 2005 HOME Owner Occupied Housing Assistance Program Contracts. The applicant is requesting $250,000 for Rehabilitation Assistance to assist ten (10) households.

Funding Recommendation Methodology

The funds were not subject to the Regional Allocation Formula. Applications are being processed utilizing the open cycle method and as described in the NOFA. The applications being recommended have passed all eligibility and threshold requirements.

The applications have also been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance have been identified. Staff will verify during a second compliance review at contract generation that there are no any unresolved audit findings, questioned or disallowed costs, and performance issues identified at that time.

If the award recommendations are approved, no funds will remain available under the NOFA unless the Board chooses to approve additional funding to address the over subscription of current applicants in the amount of $750,000 and/or any additional applications that may be received prior to June 27, 2008.

Attached:

- HTF 2008 Homeownership SuperNOFA – Award Recommendations; and,
- HTF 2008 Homeownership SuperNOFA - Application Log.

Recommendation

Staff recommends approval of Community Council of Southwest Texas, Inc. (CCSWT), Community Housing Services Corporation, Inc. (CHSCI), and the City of New Braunfels for a Housing Trust Fund Homeownership SuperNOFA award.

If the Board chooses to increase the total amount of funding available under this NOFA to $2,000,000, staff recommends approval of the increased funding of $1,000,000.

2008 HTF Homeownership SuperNOFA - Award Recommendations

Sorted by Date/Time Received

App number	Received Date	Time Received	Applicant	Activity	Region	Project Funds Recommended	Admin Funds Recommended	Total Units	Comments
2008-0036	4/24/2008	3:17 PM	Community Council of Southwest Texas, Inc.	Downpayment Assistance	11	$238,095	$11,905	24	Pending Award
2008-0037	4/29/2008	11:48 AM	Community Housing Services Corp., Inc.	Downpayment Assistance	11	$58,096	$2,904	6	Pending Award
2008-0038	4/29/2008	11:49 AM	Community Housing Services Corp., Inc.	Rehabilitation Assistance	11	$180,000	$9,000	6	Pending Award
2008-0039	5/5/2008	4:53 PM	City of New Braunfels	Rehabilitation Assistance	9	$250,000	$0	10	Pending Award
					Total Recommended:	**$726,191**	**$23,809**	**46**	

2008 HTF Homeownership SuperNOFA - Application Log

Sorted by Date/Time Received

Total NOFA Amount - $1,000,000

**Total Amount Available: $750,000*

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0026	3/19/2008	8:46 AM	Dallas Area Habitat For Humanity	3	$240,000	$10,000	24	$240,000	$10,000	24	Awarded 5/8/2008
2008-0041	4/24/2008	3:16 PM	Community Council of Southwest Texas, Inc.	11	$237,500	$12,500	8				Withdrawn
2008-0036	4/24/2008	3:17 PM	Community Council of Southwest Texas, Inc.	11	$238,095	$11,905	24	$238,095	$11,905	24	Pending Award
2008-0037	4/29/2008	11:48 AM	Community Housing Services Corp., Inc.	11	$47,620	$2,380	5	$58,096	$2,904	6	Pending Award
2008-0038	4/29/2008	11:49 AM	Community Housing Services Corp., Inc.	11	$190,476	$9,524	6	$180,000	$9,000	6	Pending Award
2008-0039	5/5/2008	4:53 PM	City of New Braunfels	9	$250,000	$0	10	$250,000	$0	10	Pending Award
2008-0040	5/6/2008	8:21 AM	Austin Affordable Housing Corporation	7	$240,000	$10,000	24				Under Review
2008-0043	5/14/2008	4:04 PM	Community Development Corporation of Brownsville	11	$237,500	$12,500	8				Under Review
2008-0048	5/27/2008	9:22 AM	Fort Worth Area Habitat for Humanity, Inc.	3	$250,000	$12,500	25				Under Review
				Totals:	**$1,931,191**	**$81,309**	**134**	**$966,191**	**$33,809**	**70**	

****This amount reflects $1,000,000 in funds made available in the NOFA less awards approved by the Board.***

BOND FINANCE DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Approval of recommended firm to provide Drawdown Bond Underwriting services for TDHCA's single family mortgage revenue bonds recycling program.

Required Action

Approve the recommended firm to provide Drawdown Bond Underwriting services for TDHCA's single family mortgage revenue bond recycling program.

Background

On May 8, 2008, the Board approved issuing a Request for Proposal ("RFP") for Underwriting services from investment banking firms interested in developing a Drawdown Bond Program for TDHCA's single family mortgage revenue bond recycling program. TDHCA received three responses to the RFP. Two of the investment banking firms presented Drawdown Bond Programs and Bank of America presented a proposal for discussion purposes only. Within the past several months George K. Baum and Morgan Keegan have closed Drawdown Bonds Programs in this unpredictable financial market and have the staff, knowledge and experience to create TDHCA's next single family mortgage revenue bond recycling program.

Based on the responses received, Bond Finance recommends Morgan Keegan & Company, Inc. as Underwriter for the TDHCA Drawdown Bond Program. Morgan Keegan proposed a private placement structure which allows TDHCA more flexibility than a public offering structure. Morgan Keegan's fee proposal and ongoing costs were the most inexpensive for TDHCA. Morgan Keegan has never failed to fund a requested draw nor has it had a failed remarketing for a Drawdown Bond Program over its entire 12 year history.

The following results of the RFP were evaluated and scored by Bond Finance staff and TDHCA's Financial Advisor, RBC Capital Markets.

Firm Name	Average Score (100 pts max)
Morgan Keegan & Company, Inc	90
George K. Baum & Company	74
Bank of America	NA

The Drawdown Bond Underwriter will be responsible for working with TDHCA's staff to develop the Drawdown Bond structure and report back to the TDHCA Board at its September 4, 2008 board meeting.

Recommendation

Approve the recommended firm to provide Drawdown Bond Underwriting services for TDHCA's single family mortgage revenue bond recycling program.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Items

Presentation, Discussion and Possible Approval of Resolution No. 08-024 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2006 Series FGH (Program 68).

Required Action

Approval of Resolution No. 08-024 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2006 Series FGH (Program 68).

Background

The mortgage loan origination period related to TDHCA's Single Family Mortgage Revenue Bonds, 2006 Series FGH (Program 68) will terminate on September 1, 2008. If the origination period is not extended, any unspent proceeds will be used for an unexpended bonds proceeds redemption. During the time of TDHCA's bond pricing, investors ask issuers about our history of unspent bond proceeds. Because of these extensions, TDHCA can positively report to investors that our last single family unexpended bonds proceeds redemption was for $10,000 in 1997. This is the amount that remained after applying the de minimis exception of $250,000. Staff recommends extending the certificate purchase date for Program 68 to September 1, 2009. The table below reflects Program 68's balances, per the master servicer's records, as of June 12, 2008.

Total Lendable Bond Proceeds			$ 131.7 million
Assisted Funds Unreserved Balance	6.20%	$ 0.0 million	
Unassisted Funds Unreserved Balance	5.65%	$ 0.0 million	
Loans in Mortgage Pipeline Pending Closing		$ 10.5 million	
= Total Unspent Proceeds Balance			$ 10.5 million
Mortgages Closed, Funded, and Purchased			$ 121.2 million

A significant amount ($121.2 million) of the mortgage funds have been purchased out of $131.7 million since the bonds closed on November 15, 2006. For families constructing a new home, 180 days are needed to complete the processing of funds reserved in the pipeline. If any of these loans should fall-out, the extension of the certificate purchase period would allow ample time to close and fund new loans.

Recommendation

Approve Resolution No. 08-024 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2006 Series FGH (Program 68).

Resolution No. 08-024

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR SINGLE FAMILY MORTGAGE REVENUE BONDS, 2006 SERIES F; SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2006 SERIES G AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2006 SERIES H; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, in order to implement its Bond Program No. 68, the Department issued its Single Family Mortgage Revenue Bonds, 2006 Series F in the aggregate principal amount of $81,195,000 (the "2006 Series F Bonds"), its Single Family Mortgage Revenue Refunding Bonds, 2006 Series G in the aggregate principal amount of $15,000,000 (the "2006 Series G Bonds"), and its Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H in the aggregate principal amount of $36,000,000 (the "2006 Series H Bonds" and together with the 2006 Series F Bonds and the 2006 Series G Bonds, collectively, the "2006 Series F/G/H Bonds") pursuant to a Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 between the Department, as successor to the Texas Housing Agency, and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Single Family Indenture"), and the Fifty-First Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006 (the "Fifty-First Supplement") with respect to the 2006 Series F Bonds, the Fifty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006 (the "Fifty-Second Supplement") with respect to the 2006 Series G Bonds and the Fifth-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006 (the "Fifty-Third Supplement") with respect to the 2006 Series G Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as described in the Fifty-First Supplement); and

WHEREAS, the Certificate Purchase Period with respect to the 2006 Series A/B/C Bonds ends on September 1, 2008, unless extended; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the 2006 Series F/G/H Bonds to September 1, 2009 in accordance with the terms of the Fifty-First Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

EXTENSION OF CERTIFICATE PURCHASE PERIOD; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to September 1, 2009, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Single Family Indenture and the Fifty-First Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Forty-Sixth Supplement in connection therewith.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chair of the Board; the Secretary to the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 26th day of June, 2008.

____
Chairman, Governing Board

ATTEST:

____
Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Items

Presentation, Discussion and Approval of Resolution No. 08-025 authorizing application to the Texas Bond Review Board for reservation of 2008 single family private activity bond authority and presentation, discussion and approval of the Single Family Mortgage Revenue Bonds Underwriting Team for Program 71.

Required Action

Approval of Resolution No. 08-025 authorizing application to the Texas Bond Review Board for reservation of 2008 single family private activity bond authority and approval of the Single Family Revenue Bond Underwriting Team for Program 71.

Background

At the start of each new TDHCA single family bond issuance, our Board petitions the Texas Bond Review Board to start the process in the form of a resolution followed by an application to draw down our private activity bond authority also known as volume cap. Staff at this time is not seeking nor is the Board giving final approval of Bond Program 71 with respect to the finance structure, target mortgage rates, timing and size of the issue. Staff will come back to the Board on September 4, 2008 with a final structure for your review and approval.

Of the $189.6 million in volume cap available in 2008, TDHCA has approved using $60 million for use with our MCC program. Bond Finance is coming to you today to draw down the remaining 2008 volume cap of $129.6 million which the Department could use with our next structure, Program 71. If Bond Finance does not use the entire allocation of $129.6 million, the remaining volume cap will be warehoused using our Drawdown Bond Program.

On March 10, 2005, TDHCA approved a team of three Senior Underwriting Managers: Citigroup, UBS, and Bear Stearns. Citigroup started the second rotation of this three member team as Senior Manager with Program 70 that closed on September 20, 2007. UBS was the second member of this three member team rotation and were structuring Program 71. The last member of this three member team is Bear Stearns. On May 6, 2008, UBS said they plan to shut down their municipal finance division if they could not find a buyer. On June 5, 2008 UBS closed its municipal finance division. Bear Stearns is next up to complete the final leg of that three team rotation. On June 1, 2008, J.P. Morgan Securities Inc. (JPMorgan) acquired the Bear Stearns Housing Underwriting team that worked on TDHCA bond structures.

There are several reasons why staff is recommending approval of a Senior Manager to replace UBS at this time. Staff believes TDHCA could be in need of lendable proceeds by October 2008. As of June 19, 2008, 83% or $134.6 million of the $161.5 million of Program 70 lendable proceeds released on September 21, 2007 have been originated, or are reserved in the pipeline to be purchased, leaving an available balance of $26.9 million in lendable proceeds. With the approval of the extension of Program 68, TDHCA will need a Senior Manager to develop cashflows for credit rating agency approval by

September 1, 2008. The underwriter can start developing scenarios for Program 71 and meet our target date of September 1, 2008 to extend Program 68.

Staff is coming to you today to recommend JPMorgan as Senior Manager for Program 71. We are recommending JPMorgan because JPMorgan hired into their municipal finance division the same professionals that TDHCA worked with over the past several single family bond structures and according to JPMorgan those same professionals will work with us on Program 71. JPMorgan is rated AA by Standard and Poor's and AA2 by Moody's. Bear Stearns (JPMorgan) was next up on the last leg of the three member rotation of Senior Managers.

In keeping with TDHCA's policy of rotating firms in the Co-Senior and Co-Manager pool, Bond Finance recommends the following firms and roles for this transaction:

Firm	**Role**
Lehman Brothers	Co-Senior
Bank of America Securities LLC	Co-Manager
Loop Capital Markets, LLC	Co-Manager
Merrill Lynch & Co.	Co-Manager
Morgan Stanley	Co-Manager

In the bond market, a syndicate of bankers is needed to market the structure. The number of bonds available for sale typically dictates the size of the syndicate needed at the time of pricing. With TDHCA's structures at or over $100 million, a pool of bankers including a Senior Manager, a Co-Senior and four Co-Managers have previously been successful at marketing the Department bonds.

Bond Finance would like to establish a new set of Senior Managers, Co-Senior and Co-Manager starting in 2009. At the September 4, 2008 Board meeting, Staff will bring a request for proposal (RFP) for Investment Banking Firms interested in Senior Manager and Co-Managers positions. Responses to the RFP will be due in October 2008 and selection and approval of the new financing team will be at the November 13, 2008 Board meeting.

Recommendation

Approve Resolution No. 08-025 authorizing application to the Texas Bond Review Board for reservation of 2008 single family private activity bond authority and approval of the Single Family Mortgage Revenue Bond Underwriting Team for Program 71.

Resolution No. 08-025

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended from time to time (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 103 and Section 143 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 owner-occupied residences 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 143 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 2008 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 requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, on January 31, 2008, the Board adopted Resolution No. 08-007 authorizing the filing of an Application for Reservation in the maximum amount of $55,000,000; and

WHEREAS, the Board has determined to increase the amount of bonds to be issued and desires to rescind Resolution No. 08-007 upon adoption of this resolution; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds in calendar year 2008;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 - Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the maximum amount of $129,641,415, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 - Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage bonds will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4 - Mortgage Credit Certificate Authority. The Department reserves the right, upon receipt of a Reservation, to convert all or any part of its authority to issue qualified mortgage bonds to mortgage credit certificates.

Section 5 - Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 - Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 26th day of June, 2008.

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Chairman, Governing Board

ATTEST:

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Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Items

Presentation, Discussion and Approval of Resolution No. 08-021 authorizing ratification of TDHCA's notice to remove UBS as Remarketing Agent and approve a new Remarketing Agreement for TDHCA's Single Family Mortgage Revenue Variable Rate Demand Bonds 2004 Series A Jr. Lien, 2004 Series B, 2005 Series A, 2006 Series H and 2007 Series A with JPMorgan.

Required Action

Approve Resolution No. 08-021 authorizing ratification of TDHCA's notice to remove UBS as Remarketing Agent and approve a new Remarketing Agreement for TDHCA's Single Family Mortgage Revenue Variable Rate Demand Bonds 2004 Series A Jr. Lien, 2004 Series B, 2005 Series A, 2006 Series H and 2007 Series A with JPMorgan.

Background

Bear Stearns is the remarketing agent for TDHCA's 2005 Series A variable rate demand bonds (VRDBs) and 2007 Series A VRDBs. On June 1, 2008, JPMorgan purchased Bear Stearns. Prior to June 1, 2008, JPMorgan was the second ranked remarketing agent in VRDBs with $2.4 billion in VRDBs held for housing clients of which $294.6 million was held at the Texas Veterans Land Board and $28.5 million at TDHCA. Bear Stearns was the top remarketing agent for TDHCA before June 1, 2008 and J.P. Morgan Securities Inc. (JPMorgan) hired the head of Bear Stearns' variable rate municipal group on June 1, 2008.

UBS is the remarketing agent for TDHCA's 2004 Series A Jr. Lien, 2004 Series B, and 2006 Series H VRDBs. On May 6, 2008, UBS said they plan to shut down their municipal finance division if they could not find a buyer. On June 5, 2008 UBS closed their municipal finance division and our Bond Counsel and Financial Advisor have advised TDHCA to replace UBS as TDHCA's remarketing agent for the 2004 Series A Jr. Lien, 2004 Series B, and 2006 Series H VRDBs.

Bond Finance along with RBC Capital Markets, our Financial Advisor, has reviewed and analyzed all of our remarketing agents and have determined that with JPMorgan's sizable remarketing book they are very capable of continuing to give the Department excellent remarketing on all of the above mentioned VRDBs. Staff recommends ratifying JPMorgan as the remarketing agent for TDHCA's Single Family Mortgage Revenue Variable Rate Demand Bonds 2004 Series A Jr. Lien, 2004 Series B, 2005 Series A, 2006 Series H and 2007 Series A.

Recommendation

Approve Resolution No. 08-021 authorizing ratification of TDHCA's notice to remove UBS as Remarketing Agent and approve a new Remarketing Agreement for TDHCA's Single Family Mortgage Revenue Variable Rate Demand Bonds 2004 Series A Jr. Lien, 2004 Series B, 2005 Series A, 2006 Series H and 2007 Series A with JPMorgan.

Resolution No. 08-021

RESOLUTION RATIFYING NOTICE OF REMOVAL OF UBS FINANCIAL SERVICES LLC AS REMARKETING AGENT FOR THE DEPARTMENT'S SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2004 SERIES B, TAXABLE JUNIOR LIEN SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, SERIES 2004A, AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2006 SERIES H AND APPROVING J.P. MORGAN SECURITIES INC. AS SUCCESSOR REMARKETING AGENT FOR THE FOREGOING BONDS AND FOR THE DEPARTMENT'S SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2005 SERIES A AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2007 SERIES A; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and (d) to issue its revenue bonds for the purpose refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the "Agency") under such terms, conditions and details as shall be determined by the Board; and

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B (the "2004 Series B Bonds") pursuant to that certain Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 between the Department, as successor to the Agency, and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Single Family Indenture"), and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004 between the Department and the Trustee; (ii) Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A (the "2004A Junior Lien Bonds") pursuant to that certain Junior Lien Trust Indenture dated as of May 1, 1994 between the Department and the Trustee, as amended and supplemented, and the Fourth Supplemental Junior Lien Trust Indenture (Series Supplement 2004A) between the Department and the Trustee; (iii) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A (the "2005 Series A Bonds") pursuant to the Single Family Indenture and the Forty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2005 between the Department and the Trustee; (iv) Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H (the "2006 Series H Bonds") pursuant to the Single Family Indenture and the Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006 between the Department and the Trustee; and (v) Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A (the "2007 Series A Bonds") pursuant to the Single Family Indenture and the Fifty-

Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2007 between the Department and the Trustee; and

WHEREAS, the foregoing series of bonds are hereinafter collectively referred to as the "Variable Rate Bonds" and the supplemental indentures pursuant to which the Variable Rate Bonds were issued are hereinafter collectively referred to as the "Variable Rate Supplemental Indentures"; and

WHEREAS, in accordance with the Variable Rate Supplemental Indentures, the Department has appointed a "Remarketing Agent" to perform various duties with respect to the Variable Rate Bonds to be remarketed from time to time; and

WHEREAS, UBS Securities LLC ("UBS") serves as Remarketing Agent for the 2004 Series B Bonds, the 2004A Junior Lien Bonds and the 2006 Series H Bonds, and Bear, Stearns & Co. Inc. ("Bear") serves as Remarketing Agent for the 2005 Series A Bonds and the 2007 Series A Bonds; and

WHEREAS, the Department has provided the notices required under the Variable Rate Supplemental Indentures of the removal of UBS as Remarketing Agent and the appointment of J.P. Morgan Securities Inc. as successor Remarketing Agent for the 2004 Series B Bonds, the 2004A Junior Lien Bonds and the 2006 Series H Bonds; and

WHEREAS, JPMorgan Chase & Co. has acquired Bear; and

WHEREAS, the Board now desires to (i) ratify notice of the removal of UBS as Remarketing Agent, (ii) consent to the appointment of J.P. Morgan Securities Inc. as successor Remarketing Agent to UBS and to Bear for the respective series of Variable Rate Bonds, and (iii) approve a remarketing agreement with J.P. Morgan Securities Inc. for each series of the Variable Rate Bonds (collectively, the "Remarketing Agreements");

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

REMOVAL OF REMARKETING AGENT AND APPOINTMENT OF SUCCESSOR

Section 1.1--Removal of Remarketing Agent. The Board ratifies the removal of UBS as Remarketing Agent for the 2004 Series B Bonds, the 2004A Junior Lien Bonds and the 2006 Series H Bonds.

Section 1.2--Approval of Successor Remarketing Agent. J.P. Morgan Securities Inc. is hereby approved as the successor Remarketing Agent for the Variable Rate Bonds.

Section 1.3--Approval of Remarketing Agreements. The Remarketing Agreements, in substantially the forms presented at this meeting and approved by counsel to the Issuer, are hereby approved and adopted by the Department, and the Chairman of the Board or the Executive Director of the Department or any Acting Executive Director of the Department are hereby authorized and empowered to execute and deliver the Remarketing Agreements on behalf of the Department, with such changes as may be approved by the Department's counsel and the officer executing the same, such approval to be evidenced by such officer's execution thereof.

Section 1.4--Execution and Delivery of Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.5--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chair of the Board; the Secretary to the Board; the Executive Director of the Department or any Acting Executive Director of the Department; the Deputy Executive Director for Administration of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.2--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 26th day of June, 2008.

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Chairman, Governing Board

ATTEST:

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Secretary to the Governing Board

(SEAL)

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Requested Action

Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

Background

This Board Action Request summarizes the activities of the Disaster Recovery Division which has oversight responsibility for Community Development Block Grant (CDBG) Disaster Recovery Programs for Round I and Round II funding administered by TDHCA, as well as the FEMA Alternative Housing Pilot Program (AHPP).

Public Law 109-148 – 1st Supplemental ($74.5 Million)

Under the **1st Supplemental CDBG Disaster Recovery Program (referred to as Round I)**, three Councils of Governments (COGs) are responsible for administering housing contracts to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. Of the $74.5 million, the total funding allocation administered by the COGs is $40,259,276 broken down as follows:

- Deep East Texas Council Of Governments (DETCOG) - $6,745,034
- Houston-Galveston Area Council (H-GAC) - $7,015,70
- South East Texas Regional Planning Commission (SETRPC) - $26,498,536
  - *SETRPC - $15,788,536*
  - *Beaumont - $5,145,000*
  - *Port Arthur - $5,565,000*

The Disaster Recovery Division has been focused on the production levels of the COGs in anticipation of the current contract end date of July 27, 2008. Each COG has submitted a request to extend the contract end date to December 31, 2008 which is being requested under a separate Board Action Request. As of this Board meeting, the COGs cumulatively have over 100% of their contracted number of households to be served either under bid award, under construction, or completed. The COGs are continuing to access HTF dollars to finance gap amounts as well. As of June 9, 2008, $330,424.76 of HTF dollars has been committed and $48,121.05 had been drawn. The COGs have identified an estimated need of approximately $933,000 of the $1,000,000 reserved under the HTF program.

Staff continues to receive weekly updates from each COG to gauge their progress in completing contract activities by the end of the contract term, July 27, 2008. The COGs have completed assistance to one hundred seventy-eight (178) households to date and another forty (40) are currently under construction.

Financial Summary

	Current Budget	Admin $ Drawn To Date	Project $ Drawn To Date	Total Drawn	% of Funds Disbursed
DETCOG	**$6,745,034.00**	**$488,768.87**	**$1,565,203.71**	**$1,565,203.71**	**30.45%**
H-GAC	**$7,015,706.00**	**$647,420.02**	**$1,609,928.17**	**$1,609,928.17**	**32.18%**
SETRPC	**$26,498,536.00**	**$1,289,209.80**	**$4,290,238.08**	**$4,290,238.08**	**21.06%**
SETRPC	$15,788,536.00	$1,185,325.81	$4,267,824.48	$4,267,824.48	34.54%
Beaumont	$5,145,000.00	$91,703.99	$22,413.60	$ 22,413.60	2.22%
Port Arthur	$5,565,000.00	$12,180.00	$0	$0	0.22%
Totals	**$40,259,276.00**	**$2,425,398.69**	**$7,465,369.96**	**$7,465,369.96**	**24.57%**

Project Summary

	No. to be Served per Contract*	No. out for Bid	**Units Under Contract	No. Site-built Under Construction	No. Site-built Constructed	No. of MHUs Delivered	Total No. Constructed/ Delivered
DETCOG	**96**	**0**	**22**	**1**	**0**	**57**	**57**
H-GAC	**110**	**29**	**28**	**5**	**0**	**50**	**50**
SETRPC	**229**	**11**	**72**	**46**	**43**	**31**	**74**
SETRPC	127	0	19	12	42	31	73
Beaumont	56	5	35	11	1	0	1
Port Arthur	46	6	18	23	0	0	0
Total	**435**	**40**	**122**	**52**	**43**	**138**	**181**

** Based on the contractual number of households that the COGs will be able to serve with the funding allocation*
*** Total of MHUs ordered but not yet delivered and construction contracts signed for site-built units*

COG Activity Highlights as of June 13, 2008

Deep East Texas Council of Governments
DETCOG had delivered fifty-seven (57) homes to homeowners, had seventeen (17) additional homes pending delivery, had signed construction contracts for five (5) rehabilitation projects that will begin construction before the end of June, and had begun construction activities on one (1) rehabilitation project as June 13, 2008. DETCOG's Housing Trust Fund (HTF) contract amount is $178,321. DETCOG has identified a gap financing need for seventy-nine (79) households totaling approximately $221,000. Needs exceeding the HTF contract amount will be covered with other funding sources available to DETCOG.

Houston-Galveston Area Council
H-GAC had delivered fifty (50) homes to homeowners and had sixty-two (62) additional homes either out to bid, scheduled for delivery, or on order as of June 13, 2008. H-GAC's HTF contract amount is $184,414. H-GAC has reported a gap financing need for fifty-five (55) households totaling $156,441.

South East Texas Regional Planning Commission
SETRPC had delivered seventy-three (73) homes to homeowners, had twelve (12) homes under construction, and had nineteen (19) more homes ready to begin construction activities as of June 13, 2008. The total HTF contract amount for SETRPC is $637,265 with $374,360 of that total available for all households within their service area excluding households in the cities of Beaumont and Port Arthur. SETRPC identified a gap financing need for seventy-eight (78) households totaling approximately $298,832 in those areas.

SETRPC continues to work closely with each of its subcontractors, the cities of Beaumont and Port Arthur to move the program forward to a successful completion.

City of Beaumont
The city of Beaumont had forty (40) houses either out to bid or under contract as of June 13, 2008. The city also had eleven (11) homes under construction and had completed assistance to one household. The amount of the HTF contract amount available to the city of Beaumont is $143,937. The city identified a gap financing need for forty-six (47) households totaling approximately $143,795.

City of Port Arthur
As of June 13, 2008, six (6) houses were out to bid, eighteen (18) construction contracts were signed and will be under construction by early July, and twenty-three (23) units were under construction. The amount of the HTF contract amount available to the city of Port Arthur is $118,968. The city identified a gap financing need for thirty-four (34) households totaling approximately $115,150.

Public Law 109-234 – Round II ($428 Million)

The **2nd Supplemental CDBG Disaster Recovery Funding (referred to Round II)** is the second of two awards in CDBG funding to help restore and rebuild in areas of the State most directly impacted by Hurricanes Rita, but it also addresses needs arising from Katrina evacuees. The total funding allocation is $428,671,849, broken down as follows:

2nd Supplemental CDBG Disaster Recovery Activity	Available Funding
Rental Housing Stock Restoration Program ("Rental")	$82,866,984
ORCA's Restoration of Critical Infrastructure Program (Infrastructure)*	$42,000,000
City of Houston and Harris County Public Service and CDP ("Houston/Harris")	$60,000,000
Homeowner Assistance Program ("HAP")	$210,371,273
Sabine Pass Restoration Program ("SPRP")	$12,000,000
State Administration Funds (Used to Administer Funding)	$21,433,592
Total CDBG Round 2 Plan Funding	**$428,671,849**

CDBG Round 2 City of Houston and Harris County Public Service and Community Development Program

City of Houston
Funding of $20 million was allocated to the Houston Police Department for establishment of a Multi-Family Apartment Community Program. The funds will be utilized to procure equipment and supplies to support the program and to staff the program with officers on overtime. On April 3, 2008, the City of Houston submitted a reimbursement request for $7,901,659.19 that covers the period from October 2007 through March 2008.

Funding of $20 million was also allocated to carry out rehabilitation of existing multi-family housing stock through the existing Apartment to Standards Program. These funds will provide rehabilitation of multi-family housing to the evacuee population. The City of Houston is in the final procurement stages of selecting and awarding a contractor to administer the multi-family housing component. There have been no expenditures submitted for reimbursement.

The Department conducted a monitoring visit to review the documentation associated with the $7,901,659.19 reimbursement request. Minor issues were identified during the review; however, the Department is working closely with the City of Houston to address the issues noted. Once resolved, the request will be submitted for reimbursement.

Harris County
The US Department of Housing and Urban Development approved the Amendment to the Texas Partial Action Plan for CDBG funding that allowed the City of Houston/Harris County to reduce the Youth Offender Services

- A series of Community Days held in Sabine Pass during April and May. A total of four such events were held during which 154 separate meetings with applicants were conducted.
- There are a total of 99 applicants participating in this program, 67 from applications transferred from Round 1 and 32 applicants that applied directly to Round 2. Other specific metrics about the Sabine Pass Restoration Program include the following:
    - 3rd party property reports have been requested on 89 of the applications. Responses have been received on 64 properties to date. The reports on the 11 remaining properties are pending an update to the damaged address which was originally reported incorrectly.
    - Identity – 13 applicants have passed the identity and OFAC check
    - Census tract – 29 applicants are within the Sabine Pass census tract. 1 applicant is not within the census tract
    - Flood zone – 29 applicants are within a Special Hazard Flood Zone. 1 applicant is not within the SHFZ.
    - Rita damage – 32 applicants have provided documentation indicating Rita damage
    - Ownership – to date 11 applicants have met the ownership requirement, 13 are in process, 3 have failed, 2 have title issues, and one address is being researched
    - Primary residency – 39 applicants pass, 2 applicants are in process
    - Income – 13 applicants pass, 5 applicant failed, and 23 required additional supporting documentation
    - Property tax – 26 applicants pass the property tax eligibility requirement, 4 applicant is delinquent with no proof of deferral or payment plan

- On average, applicants are missing just over documents in order to pass all eligibility requirements. The most difficult document appears to be the Income Worksheet and affidavit.

- The preparation and publishing of four RFPs soliciting contractor bids for:

    - Rehabilitation of damaged homes
    - Modular Home replacement
    - Manufactured Home replacement
    - Stick-built reconstruction

- A bidders' conference held in Beaumont on May 28, with fifty-five (55) contractors in attendance. Responses to the RFPs are due by June 30, 2008 for all but the MHU bids, which are due June 27, 2008.

- Continued work with local clergy and elected officials to enlist their aid in outreach efforts aimed at publicizing the program and identifying volunteers to assist homeowners in completing the application process. Informational gatherings, dubbed "Orientation Meetings," are schedule in the next few weeks for Newton, Jasper, Beaumont, Orange and Port Arthur, beginning June 19th in Newton. Applicants in those areas will receive written invitations to these informational meetings. In addition, 11 Community Days have been planned to date at various locations throughout the affected area. As in Sabine Pass, applicants can attend these events and receive one-on-one assistance in completing their applications.

- Efforts with legal aid organizations in the state to marshal assistance for those applicants in need of professional legal help. Several meetings have been held with Lone Star Legal aid, the latest in Houston on June 5th. It is anticipated that significant assistance will be forthcoming from the Texas legal community especially around the use of Heirship affidavits to prove an ownership interest in the applicant property.

- The launch in earnest of the HAP Program with the mailing of the first 200 Supplemental Packets on Friday, June 13th. Mailings will continue at a rate of approximately 100 per day to completion which is currently scheduled for August 13, 2008.

In summary, significant progress has been made in moving to the beginning of construction activities in what appears to be a timetable in advanced of that originally proposed. The project team is confident that the goals of the program will be achieved on or ahead of schedule.

FEMA Affordable Housing Pilot Program

The Disaster Recovery Division is also responsible for administration of the Federal Emergency Management Agency (FEMA) award of $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes.

On January 7, 2008, the Federal Emergency Management Agency (FEMA) announced that TDHCA was awarded of $16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives to the FEMA trailer by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

The Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population. According to The Heston Group, an *estimated* average price of each pre-fabricated unit is $77,500.

The contract between The Heston Group and the Department was executed on April 1, 2008. The list of eligible candidates in East Texas was finalized on April 11, 2008. A letter of interest and informational flyer was sent out via U.S. Mail, as well as hand delivered by FEMA strike teams, on April 14, 2008 to all 37 eligible candidates. As of June 6, 2008, there are 29 eligible households that are interested in the program. The last day to voice interest in the program for the first round of eligible households was April 28, 2008.

The second AHPP Grantee Conference was held in New Orleans from June 9 – June 11, 2008 at the Omni Royal Hotel. The purpose of the conference was to allow the Grantee states (Texas, Louisiana, Mississippi, and Alabama) the opportunity to come together and discuss the status of their respective programs as well as share with the group their lessons learned so far. In addition to the conference, FEMA took the conference attendees on a tour of the Louisiana project sites.

The Heston Group, Disaster Recovery staff, and the FEMA contracted company that will be conducting Environmental Clearances (The URS Corporation) have begun the Environmental Review process for the private sites. The first meeting to discuss approach and requirements took place on April 24, 2008 at the FEMA Transitional Recovery Office (TRO) in Beaumont, TX. The second environmental meeting took place at the Beaumont TRO as well, on June 13, 2008. The purpose of the second meeting was to touch base and move the process forward into the broad environmental review of the nine county area in which the first 29 homes are located.

Project from $3,458,000 originally allocated to $225,686, and award the balance of $3,232,314 to the new Disaster Housing Assistance Program (DHAP).

Harris County has submitted a letter to HUD requesting a waiver to extend the time frame for emergency grant from three months to nine consecutive months due to the nature and scope of the individuals served under this Project. The Department received guidance from HUD and issued a letter to Harris County directing the County to determine the legality to the change in program services. The Department is awaiting a response from Harris County on the final determination for the extension of time on program services.

With the approval of the Amendment to the Texas Partial Action Plan, Harris County now has five program components: the Coordinated Housing Safety Program-Multi-Family Community Liaison Program Component, Evacuee Medical Services-Harris County Hospital District Component, Katrina Crisis Counseling Program Component, Youth Offenders Services Component and the Disaster Housing Assistance Program Component.

CDBG Round 2 Multifamily Rental Housing Stock Restoration Program

On September 13, 2007, the TDHCA Board awarded $81.1 million to repair or rebuild five Golden Triangle-area affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore rental units housing to 813 low-income individuals and families. Award-specific status is outlined in the table below:

Loan Number	Development Name	City	Total Units	Type of Activity	CDBG Loan Amount	Environ Clearance Date	Loan Closing Date*	Notice to Proceed Date**	Notes on Status of Award
7060006	Pointe North	Beaumont	158	Recon.	$13,778,332	Pending	7/31/08*	Pending Closing	Pending Applicant Response to 5/29/08 Envir. Clearance Deficiency Notice.
7060011	Gulfbreeze Plaza I	Port Arthur	86	Recon.	$9,067,577	03/18/08	6/11/08	6/12/08	Started Construction
7060012	Gulfbreeze Plaza II	Port Arthur	148	Recon.	$13,280,250	03/18/08	6/11/08	6/12/08	Started Construction
7060007	Orange Navy Homes	Orange	115	Recon.	$14,189,439	Pending	9/13/08*	Pending Closing	Pending Applicant Response to 5/28/08 Envir. Clearance Deficiency Notice.
7060010	Brittany Place II Single Family	Port Arthur	100	Recon.	$13,077,366	03/11/08	9/13/08*	Pending Closing	Applicant has not met conditions of Award. May require Board action in July Meeting.
7060009	Brittany Place I Multifamily	Port Arthur	96	Recon.	$11,046,835	03/11/08	4/09/08	4/09/08	Started Construction
7060008	Virginia Estates	Beaumont	110	Rehab	$6,707,534	05/26/08	6/10/08	6/10/08	Started Construction
		Totals:	**813**		**$81,147,333**				

* Awarded applications have not closed, and dates reflected are anticipated closing dates.
** Only applicable if once closed on the loan.

CDBG Round 2 Homeowner Assistance Program (HAP) and Sabine Pass Restoration Program (SPRP) Program Update from ACS State & Local Solutions, Inc.

Rita Recovery Round 2 activities continue on schedule including efforts in the Sabine Pass Restoration Program, Contractor selection, and Homeowners Assistance Program.

Since the last Board meeting, the Sabine Pass Restoration Program, which is functioning as the pilot for the program in its entirety, has been fully implemented. Specific program activities during the period include:

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round Funding.

Requested Action

Approve or deny the requests for amendments related to housing contracts under the CDBG Disaster Recovery Program.

Background

The U. S. Department of Housing and Urban Development approved the State of Texas Action Plan (Action Plan) related to the *CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita* specifically states that contract amendments that vary more than 5% must be approved by the TDHCA Board. The three Councils of Governments (COG) administering contracts under the CDBG Disaster Recovery Program have submitted amendment requests that vary by more than 5% of the original project deliverables and contract timelines.

<u>Deep East Texas Council of Governments (DETCOG) Contract Number C 06 0002</u>

Summary of Request

DETCOG is requesting Amendment #3 to extend their contract from July 27, 2008 to December 31, 2008. DETCOG was unable to complete their contracted number of households to be served of 96 by the end of the contract term primarily as a result of a limited contractor pool and environmental clearance requirements.

As of June 6, 2008 DETCOG had completed assistance to 58 households, had 12 additional households scheduled for delivery of a manufactured housing unit (MHU), and 1 household pending delivery of a MHU subsequent to final negotiation of a 99 year lease. DETCOG anticipates that a total of 71 households will be assisted by July 6, 2008. In addition, there are 23 households that have been approved for assistance that are in various stages of the delivery process that DETCOG anticipates will receive assistance by July 27, 2008.

DETCOG had also issued 9 contracts for rehabilitation projects as of June 6, 2008 and anticipates that they will be complete by July 27, 2008. These homes have all the required documentation in the file.

DETCOG anticipates that a total of 103 homes will be complete by July 31, 2008 and will have sufficient funding to serve an additional 40 households. These households have been determined to be programmatically and income eligible by DETCOG and are only lacking environmental clearance, project set-up approval, and bid completion. These 40 homes could be completed as early as October 2008, barring any weather complications and reductions in contractor capacity.

Requested Action

Staff recommends approval of DETCOG's request to extend the contract end date from July 27, 2008 to December 31, 2008 to allow for the completion of assistance to 85 additional households.

<u>Houston-Galveston Area Council C 06 0001</u>

Summary of Request

H-GAC is requesting Amendment #3 to: a) extend the contract from July 27, 2008 to December 31, 2008, b) increase the number of reconstructed housing units and decrease the number of rehabilitated housing units; and c) transfer funds between budget categories to support these activities.

H-GAC anticipates that 63 homes will be completed by the original end date of July 27, 2008. H-GAC has begun executing contracts for approximately 37 stick built homes and anticipates beginning construction during the months of June and July, with completion of the homes occurring during October, 2008; however H-GAC is requesting an extension to December 31, 2008 to account for unforeseen circumstances. The time extension will allow H-GAC to move forward with the construction of stick built housing to complete assistance to 110 households. If a time extension is not granted, H-GAC will be unable to initiate construction of the 37 stick built homes because they will not be completed by July 27, 2008. The time required to obtain viable bids, receive environmental clearance, execute contracts, complete project set ups, and begin construction of stick built housing has taken longer than expected.

A review of rehabilitation bid responses indicates that 24 of the 25 homes originally bid as rehabilitation projects will exceed the maximum rehabilitation limit of $25,000 set by H-GAC. In order for H-GAC to offer reconstruction assistance to these households, H-GAC is requesting a reduction in the rehabilitation budget category from $250,000 to $25,000 and a reallocation of $225,000 as follows: a $60,000 increase in the project delivery line item and a $165,000 increase in the reconstruction line item. This change will result in a reduction of rehabilitation beneficiaries and an increase in the number of reconstruction beneficiaries. H-GAC has stated that the total number of beneficiaries to be served will remain the same (297 beneficiaries in 110 housing units).

H-GAC is also requesting that $15,000 be moved from administration to project delivery and that $60,000 be moved from the rehabilitation line item to project delivery. H-GAC has stated that this adjustment is needed to support the activities noted above through the end of December 2008. This adjustment will result in an increase in the project delivery line item of $75,000 and an overall increase in the current amount of administration, planning and project delivery dollars from $737,752 to $797,752. These reallocations will not result in a decrease in the number of households to be served of 110.

Budget

	Amend #2	**This Request**	**Change**	**Percent Change**
Rehabilitation	$250,000	$25,000	($225,000)	-90.0%
Reconstruction	$6,027,954	$6,192,954	$165,000	2.7%
Planning	$277,879	$277,879	$0	0.0%
Project Delivery	$418,001	$493,001	$75,000	17.9%
General Administration	$41,872	$26,872	($15,000)	-35.8%
TOTAL	**$7,015,706**	**$7,015,706**	**$0**	

Beneficiaries

	Amend #2 Beneficiaries	**This Request**	**Change**	**Percent Change**
Rehabilitation	27	2	(25)	-92.6%
Reconstruction	270	295	25	9.3%
TOTAL	**297**	**297**	**(0)**	

Households

	Amend #2 Households	This Request	Change	Percent Change
Rehabilitation	10	1	(9)	-90.0%
Reconstruction	100	109	9	9.0%
TOTAL	**110**	**110**	**(0)**	

Requested Action

Staff recommends approval of H-GAC's request to extend the contract end date from July 27, 2008 to December 31, 2008 to allow for the completion of assistance to 37 additional households. In addition, staff recommends approval of the reallocation of funds from rehabilitation to reconstruction and increase in the project delivery line item by $75,000 to support the activities of H-GAC through December 31, 2008.

South East Texas Regional Planning Commission (SETRPC) Contract Number C 06 0003

Summary of Request

SETRPC is requesting Amendment #3 to: a) extend their contract from July 27, 2008 to December 31, 2008, and b) transfer funds between budget categories on behalf of their subcontractors, the cities of Beaumont and Port Arthur. SETRPC, the city of Beaumont, and the city of Port Arthur anticipate that cumulatively, 133 homes will be complete by July 27th or 57% of their contracted number of households to be served of 230 homes. SETRPC is projecting that 281 homes will either have bids awarded, be under construction, or be completed by July 27, 2008; including 40 households above SETRPC's contracted amount to be served that is a result of cost savings in the program.

Factors that have hindered SETRPC's ability to complete the program by the contract end date include the loan process which currently takes approximately 90 days to complete with an additional 60 days for construction of the new home to be complete, an additional level of Environmental Review that was requested during April 2008 due to the proximity of some of the assisted homes with associated publishing and posting timelines, and logistical issues with assisting applicants in locating temporary housing. In addition, SETRPC anticipates that at least 40 additional households can be served above the contractual number as a result of savings related to project costs.

SETRPC is also requesting a transfer of funds between budget categories on behalf of their subcontractors, the city of Beaumont and the city of Port Arthur. Specifically, the city of Beaumont is requesting to transfer $2,087,100 from the rehabilitation category to the reconstruction budget category; and the city of Port Arthur is requesting to transfer $1,663,811 from the rehabilitation category to the reconstruction budget category. These changes are requested in order to meet the needs of each city's priority applicants. Based on inspections completed, the majority of assistance needs are for reconstructed housing. Of the city of Beaumont's 56 applicants, the city is projecting that 6 will need rehabilitation assistance. Of the city of Port Arthur's 46 applicants, the city is projecting that 8 will need rehabilitation assistance. The number of proposed assisted beneficiaries will be reduced from 292 to 212.

Current Budget

	SETRPC	**Port Arthur**	**Beaumont**	**TOTAL**
Rehabilitation	$4,075,500	$2,025,000	$2,400,000	$8,500,500
Reconstruction	$8,668,750	$2,025,000	$2,500,000	$13,193,750
Demolition	$365,750	$1,250,000	$0	$1,615,750
Planning/Project Delivery	$2,038,241	$265,000	$245,000	$2,548,241
General Administration	$640,295	$0	$0	$640,295
TOTAL	**$15,788,536**	**$5,565,000**	**$5,145,000**	**$26,498,536**

City of Beaumont

Proposed Budget

	Original	**Requested**	**$ Change**	**% Change**
Rehabilitation	$2,400,000	$312,900	($2,087,100)	-86.96%
Reconstruction	$2,500,000	$4,587,100	$2,087,100	83.48%
Planning/Project Delivery	$245,000	$245,000	$0	0.00%

Proposed Project Deliverables

	Maximum/ Activity	**Original Beneficiaries**	**Requested Beneficiaries**	**Change**	**% Change**
Rehabilitation	$65,000	92	12	-80	-86.92%
Reconstruction	$135,000	52	95	43	82.96%
Total		**144**	**107**	**-37**	**-25.69%**

<u>City of Port Arthur</u>

Proposed Budget

	Original	Requested	$ Change	% Change
Rehabilitation	$2,025,000	$361,189	($1,663,811)	-82.16%
Reconstruction	$2,025,000	$3,688,811	$1,663,811	82.16%
Demolition	$1,250,000	$1,250,000	$0	0.00%
Planning/Project Delivery	$265,000	$265,000	$0	0.00%

Proposed Project Deliverables

	Maximum/ Activity	Original Beneficiaries	Requested Beneficiaries	Change	% Change
Rehabilitation	$25,000	100	18	-82	-82.00%
Reconstruction	$65,000	48	87	39	81.25%
Demolition	$5,000	0	0	0	0.00%
Total		**148**	**105**	**-43**	**-29.05%**

Requested Action

Staff recommends approval of SETRPC's request to extend the contract end date from July 27, 2008 to December 31, 2008 to allow for the completion of assistance to a minimum of 40 additional households. Staff also recommends approval of SETRPC's request to transfer $2,087,100 from the city of Beaumont's rehabilitation category to the reconstruction budget category and $1,663,811 from the city of Port Arthur's rehabilitation budget category to the reconstruction budget category. The required beneficiaries to be assisted will be reduced by 80 accordingly.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 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 are [sic] 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 the 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 up to $1,000 per day for each violation.

HTC No. 07302, Casa Alton

Summary of Request: The owner is requesting approval to change the rent restrictions. The original rent and income targets were 10 units at 30% of AMI, 10 units at 40%, 17 units at 50% and 36 units at 60%. The amended targets would be 46 units at 50%, 25 units at 60%, and five units at the market rate. The application would have scored two points lower with this change.

The owner also requests to convert all 36 of the two bedroom units from two bathrooms to one bathroom, and to combine the two buildings that were proposed as a 361 square foot laundry building and a 3,943 square foot office and clubhouse into one 3,989 building. The net rentable area would not change under the proposal but the common area would decrease by 7.3% from 4,304 square feet to 3,989 square feet.

The owner states that the request is made to reduce the cost of the development because it is not financially feasible to include the original features at the original cost. As required in §50.17(d)(8) of the 2008 Qualified Allocation Plan and Rules, the owner submitted letters from the syndicator and permanent lender affirming that the development would be financially infeasible without the requested change in income targeting. The letters are presented with the owner's letter of request following the amendment write-ups.

Only the change in rent restrictions would have an effect on the score of the application and the development would have still been recommended for an award if the two points lost were deducted from the original score.

Staff has strong cause for concern of the owner's ability to bring this development to completion. They have made numerous changes from the first submission of the application. This owner will have until June 30, 2008 to meet the federal requirement to incur ten percent of the development costs within six months from the date of carryover. That is two business days from the date of the June 26, 2008 Board meeting.

	Application					Amendment				
AMGI	1BR/1Ba	2BR/2Ba	3BR/2Ba	4BR/2Ba	Total	1BR/1Ba	2BR/1Ba	3BR/2Ba	4BR/2Ba	Total
30%	1	5	3	1	10					
40%	1	5	3	1	10					
50%	1	8	7	1	17	3	21	19	3	46
60%	1	16	18	1	36	1	13	12	1	27
MR		1	1		2		1	1		2
EO		1			1		1			1
Total	4	36	32	4	76	4	36	32	4	76

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a reduction of three percent or more in the square footage of the common areas, and any other modification considered significant by the board.
Owner:	Alton Housing Development, L.P.
General Partner:	Rufino Contreras Affordable Housing Corporation, Inc.
Developers:	Rufino Contreras Affordable Housing Corporation, Inc.

Principals/Interested Parties:	National Farm Workers Service Center, Inc.
Syndicator:	CharterMac Capital
Construction Lender:	Bank of America
Permanent Lender:	Lancaster-Pollard (TRDO-USDA, Section 538)
Other Funding:	County of Hidalgo
City/County:	Alton/Hidalgo
Set-Aside:	USDA
Type of Area:	Rural
Type of Development:	New Construction
Population Served:	General Population
Units:	73 HTC units and 3 market rate units
2007 Allocation:	$691,032
Allocation per HTC Unit:	$9,466
Prior Board Actions:	7/07 – Approved award of tax credits

Underwriting Evaluation: While the development with the proposed changes would meet the Department's rules and guidelines, they are significant changes and may have impacted decisions of other developments that competed in this region. The original application was dependent upon the validity of the syndication prices and that site work and other costs have been sufficiently vetted. Based on the reduction in the syndication price and increases in site work, direct construction and interim financing, the development is not financially feasible. The underwriter does not recommend approval of the requested changes because the changes significantly diminish the level of affordability that was originally proposed.

Staff Recommendation: **Staff recommends denying the request because the development will not serve the lowest income level tenants as originally proposed. The applicant has not begun significant construction and the credits should be returned if the development is not longer feasible**

If the Board chooses to approve the request, staff recommends the terms and conditions stated in the Real Estate Analysis Report dated June 9, 2008.

Penalty Assessment: **No penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

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

REPORT DATE: 06/09/08 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 [X] QCT [ ] DDA

Key Attributes: Multifamily, Family, Rural, USDA-RD, Nonprofit, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION IF APPROVED		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$691,032			**$691,032**		

RECOMMENDATION

The Underwriter has evaluated the financial viability of the requested amendment. Based on the revised information provided by the Applicant, the transaction would meet the Department's current Real Estate Analysis Rules and Guidelines if these changes are accepted. Moreover, based on the reduction in the syndication price and increases in sitework, direct construction and interim financing, the transaction would not be financially viable without changes to the rent and income set asides as without such changes there would be insufficient projected cash flow to repay the currently anticipated deferred developer fees within 15 years of stabilized operation.

The Underwriter does not recommend approval of the requested changes however, because the changes significantly diminish the level of affordability that will be achieved at the property, the development plan has continued to be in flux, and the 10% test has not been met suggesting that the Applicant has not spent sufficient funds to move forward at this late date in the development process.

Without the changes it is likely that none of the proposed units will be developed at the site but the tax credits will return to this region for allocation in 2008. Regardless of whether the Board accepts the changes as currently proposed and reflected in this addendum report, the Underwriter recommends the conditions below.

CONDITIONS

1 Receipt, review, and acceptance of documentation, by June 30, 2008, that the development has met the 10% test by incurring costs of not less than that percentage.

2 Receipt, review, and acceptance, by June 30, 2008, of documentation of a viable alternative financing structure for the originally approved development plan if the requested amendment is not approved by the TDHCA Board on June 26, 2008.

3 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.

4 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.

5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA			
Income Limit	Rent Limit	Approved	**Requested**
30% of AMI	30% of AMI	10	**0**
40% of AMI	40% of AMI	10	**0**
50% of AMI	50% of AMI	17	**46**
60% of AMI	60% of AMI	36	**27**

PROS

- The application utilizes the combination of tax credits and USDA 538 financing to deep rent target with 46 of the 76 units targeting households with incomes at or below 50% of AMI; although the new structure includes no units at 30% or 40%.

CONS

- The transaction would not be financially viable if the requested amendment is not approved as the deferred developer fees would not be repayable within 15 years of stabilized operation.
- The significant changes to the application including site plan changes and the ongoing changes to the rent structure raises questions about the development's overall readiness to proceed.
- The Applicant must incur 10% of the development's reasonably expected basis by June 30, 2008, which may be very difficult to meet given the tight time frame.

CONTACT

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Email: jcoburn@nfwscmail.com

ADDENDUM

The subject application originally received a 2007 allocation of 9% Housing Tax Credits at the December 2007 TDHCA Board meeting. The original underwriting report determined that the Applicant did not submit a Phase I Environmental Site Assessment that encompassed the site by the deadline and therefore, did not recommend an award of tax credits. However, the Applicant appealed this determination and the Board accepted the Applicant's appeal and awarded an allocation of $691,032 in 9% HTCs.

Subsequently, on May 14, 2008 the Applicant submitted a request to amend the application due to significant increases in the Applicant's projected development costs; primarily, sitework ($194K), direct construction ($300K) and interim interest cost ($123K). The Applicant indicated that the original construction estimates were understated based on the actual costs for a similar 2006 transaction also located in Hidalgo County. However, the portion of direct construction costs that could be independently verified by the Underwriter reflects only a 1% increase after the costs savings proposed have been considered. In addition, the original application contained less than a 1% contingency to address future cost overruns.

The Applicant's credit pricing also decreased subsequent to Board approval last December from $0.87 to $0.83 resulting in a loss of $277K. In addition, the timing of the equity contributions has shifted to be less front end loaded requiring more debt early in the development process and thus added interim interest cost.

As a result of these adverse changes, the Applicant has requested an amendment to the application. The requested changes were modified several times during the re-underwriting process because the originally proposed changes were insufficient to make the development financially viable. The most current changes provided to the Underwriter are as follows:

- A complete restructuring of the original income targeting that results in all 50% and 60% units and no 30% and 40% units as originally proposed (see detailed chart below).
- Several changes to development plan to offset cost increases, including: conversion of all 2 bedroom, 2 bath units to 2 bedroom, 1 bath units; and combination of community building and laundry facility (3,943SF & 361SF respectively) into one 3,989SF building. The Applicant projected $90K in cost savings from these changes.
- An increase in the total development budget of $628K or 8%, which is primarily attributed to a $512K increase in hard construction costs and an increase in construction interest expense.
- Minor changes to the operating proforma.
- Extension of the 10% test deadline to October 30, 2008.
- Changes to the financing structure including a reduction in the credit pricing, an increase in the permanent debt, and the addition of building fee waivers.

The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the documentation provide and the requested changes. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report with a full evaluation of the originally proposed development plan and structure.

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REQUESTED REVISIONS to UNIT MIX				
Unit Type	Number of Units		Bathrooms	
	Original	Revised	Original	Revised
1 BR / 30% Rent	1	0	No Change	
1 BR / 40% Rent	1	0	No Change	
1 BR / 50% Rent	1	3	No Change	
1 BR / 60% Rent	1	1	No Change	
2 BR / 30% Rent	5	0	2	1
2 BR / 40% Rent	5	0	2	1
2 BR / 50% Rent	8	21	2	1
2 BR / 60% Rent	16	13	2	1
2 BR / Market	1	1	2	1
2 BR / Employee	1	1	2	1
3 BR / 30% Rent	3	0	No Change	
3 BR / 40% Rent	3	0	No Change	
3 BR / 50% Rent	7	19	No Change	
3 BR / 60% Rent	18	12	No Change	
3 BR / Market	1	1	No Change	
4 BR / 30% Rent	1	0	No Change	
4 BR / 40% Rent	1	0	No Change	
4 BR / 50% Rent	1	3	No Change	
4 BR / 60% Rent	1	1	No Change	
TOTAL	76	76		

10% Test:

The Applicant originally requested a TDHCA Board extension of the deadline to incur 10% of taxpayer's reasonably expected basis. However, the Department does not have the authority to extend this federal deadline of the 10% test. Section 42 of the Internal Revenue Code dictates that 10% of the taxpayer's reasonably expected basis be incurred within 6 months from the date that the Department executes the carryover agreement. The Applicant's carryover agreement was executed by the Department on December 30, 2008. Therefore, the Applicant is required by IRC Section 42 to incur 10% by June 30, 2008. The Applicant has indicated that they have purchased the site, but have not yet met the 10% requirement and will not be able to do so until the subject amendment is approved by the Board. This provides a limited three to four day period in which to close on the interim financing and meet this requirement. Staff does not recommend any Board action to extend this Federal requirement.

OPERATING PROFORMA ANALYSIS

Income:

The Applicant's revised projected rents are equal to the 2008 program rent limits less utility allowances from 2000, maintained by the Hidalgo County Housing Authority. The Underwriter utilized updated utility allowances delivered to the Department on February 10, 2006 from the county housing authority. However, this difference results in just a $2K difference in potential gross rent.

The significant changes to the proposed unit mix results in a $23K increase in rental income according to the Underwriter's figures (a minor portion of which can be attributed to the small increase in program rent limits). This increase allows the development to leverage additional debt to help bridge the gap in financing created by the loss of credit pricing as discussed above.

The Applicant's secondary income and vacancy and collection loss estimates are in line with Department guidelines. Despite the difference in utility allowances, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense:

The Applicant's total operating expense estimate of $3,582 per unit is within 5% of the Underwriter's estimate of $3,515 per unit derived from the TDHCA database, IREM data, and other sources. The Applicant's current operating expenses reflect a 7% decrease from the expenses originally submitted, whereas the Underwriter's expenses have increased by less than 1%.

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.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are now each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Of note, the Applicant's Year One proforma results in an expense to income ratio slightly below the current 65% maximum per §1.32(i)(5) of the 2008 Real Estate Analysis Rules and Guidelines. Based on the Underwriter's analysis, up to 5 proposed 50% units could be changed to 30% units before Applicant's expense to income ratio to exceeds the Department's maximum. However, this is not an advisable change as the 65% expense to income ratio represents a maximum, and a lower ratio increases the viability of an already strained transaction. Therefore, the currently proposed unit mix is reasonable.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's 15 year minimum. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Acquisition Value:

The Applicant's revised acquisition cost has decreased from $174,000 to $165,529. However, the Applicant's original acquisition cost was overstated due to a different proration of the site to total acquired acreage. The Underwriter's acquisition cost remains the same as originally underwritten with the exception of a $2,000 decrease in closing costs as reflected in the Application cost schedule. Even with the Applicant's adjusted acquisition cost the Underwriter's cost remains $3K lower.

The Applicant's development cost schedule will be used to determine the gap in funds and 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 credit equity.

Off-Site Cost:

As in the original application, 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 have increased from $8,000 per unit at application to $10,615 (including $4,550 in demolition) in the Applicant's amendment request. This is higher than the Department's current threshold of $9,000 per unit. However, the Applicant has provided documentation from a third-party professional engineer to support the Applicant's budgeted sitework costs and a letter from a CPA verifying their eligibility.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $334K or 9% higher than the Underwriter's updated Marshall & Swift Residential Cost Handbook-derived estimate. The Underwriter's estimate has been adjusted for the proposed changes and for cost increases since application. The net increase in the Underwriter's costs are $49K compared to the Applicant's net cost increase of $300K. Based on the information submitted by the Applicant, the Underwriter cannot reasonably verify the additional costs projected by the Applicant. However, as reflected below, the Applicant's total development costs remain within the 5% of the Underwriter's updated total costs.

It should be noted that the Applicant's original amendment request sought approval for not putting dishwashers in each unit as required by the 2007 QAP. However, the Applicant subsequently revised the amendment to exclude this request because it was a threshold requirement for 2007 transactions receiving housing tax credits.

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 $327K for ceramic tile flooring for these units. A downward 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 $448, 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 $7,320,321 supports annual tax credits of $791,956. 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

Source: Wells Fargo   Type: **Interim Financing**

Principal: $5,800,000   Interest Rate: 4.66%   ☐ Fixed   Term: 24 months

Comments:

The interest rate will be equal to the 30-day LIBOR plus 200 basis points. The Underwriter has used the June 2008 LIBOR rate for underwriting. The proposed construction loan is significantly higher than the originally proposed $2,400,000 construction loan due primarily to the delayed equity pay-in schedule.

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Source:	Lancaster-Pollard (USDA-RD Section 538)			Type:	**Permanent Financing**		
Subsidized:	$1,500,000	Interest Rate:	4.13%	X	Fixed	Amort:	480 months
Unsubsidized:	$425,000	Interest Rate:	7.00%	X	Fixed	Amort:	480 months

Comments:

The Applicant provided an updated commitment from Lancaster-Pollard reflecting an increase in the amortization period from 30 years to 40 years and slight decreases in the projected interest rates due to recent changes in the market. Therefore, the debt level projected is $525,000 more than originally contemplated by the Applicant. It should be noted that the Underwriter had projected the ability to support additional debt at the initial underwriting.

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 7.00% with interest rate credit to bring the rate down to the Applicable Federal Rate (AFR), estimated by the lender to be 4.13%. The loan will require a guarantee fee of $35,000 and a mortgage fee of 0.5% of the outstanding debt amount payable monthly. The mortgage fee has been included as a separate debt service line item in the Underwriter's analysis.

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.

Source:	National Equity Fund, Inc		Type:	**Syndication**	
Proceeds:	$5,734,992	Syndication Rate:	83%	Anticipated HTC:	$ 691,032

Comments:

The Applicant originally contemplated a credit price of $0.87 per dollar of tax credits from CharterMac Capital. However, the Applicant provided a new commitment dated May 20, 2008 reflecting a revised credit price of $0.83 per dollar of credit from National Equity Fund, Inc (NEF). The Applicant indicated that because the tax credits were not awarded until late in December, they had limited opportunity to secure the original credit price prior to the substantial changes that occurred in credit markets in January and February of 2008.

Should the final credit price decrease to less than $0.784, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, the credit price can increase to $0.90 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount:	$40,000	Type:	**Permit Fee Waivers**

Comments:

The Applicant provided a letter indicating that the City of Alton plans on waiving $40K in permit fees for the development. The Applicant's development cost schedule reflects that a comparable amount has appropriately been excluded from eligible basis. It appears that the City Commission has not yet approved this fee waiver. However, based on the Underwriter's analysis, if the Applicant ultimately does not receive this waiver there is at present sufficient cashflow predicted to be available to repay this additional amount in deferred developer fees within the required 15 years.

Amount:	$501,485	Type:	**Deferred Developer Fees**

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CONCLUSIONS

Recommended Financing Structure:

The Applicant's total revised development cost estimate less the anticipated permanent debt of $1,925,000 and $40,000 in fee waivers indicates the need for $6,232,973 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $751,036 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, the Board approved award ($691,032), the gap-driven amount ($751,036), and eligible basis-derived estimate ($791,956), the Board approved award of $691,032 would be recommended resulting in proceeds of $5,734,992 based on a syndication rate of 83%.

The Underwriter's recommended financing structure indicates the need for $497,981 in additional permanent funds. Deferred developer fees in this amount are projected to be repayable from cashflow within 11 years of stabilized operations.

If the Applicant's proposed amendment is not approved, the higher projected debt amount could not be supported by the originally underwritten NOI and the resulting significant gap in financing would render the transaction infeasible. It is difficult to determine the exact gap in financing because the Applicant's costs would likely be even higher than currently projected without the cost saving changes requested. However, even with the current costs, the gap in financing would require deferred developer fees of $871,418. This amount of deferred fees would not be repayable within 15 years of stabilized operations.

Therefore, if the amendment is not approved, this report is conditioned upon receipt, review, and acceptance, by 10% test, of a viable alternative financing structure for the originally approved development plan.

Underwriter:	*Cameron Dorsey*	Date:	6/9/2008
Reviewing Underwriter:	Audrey Martin	Date:	6/9/2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	6/9/2008

MULTIFAMILY COMPARATIVE ANALYSIS

Casa Alton, Alton , 9% HTC #07302

Type of Unit	Number	ORIGINAL	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent Collected	Rent per Month	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	0	1	1	1	750	$245	$201	$198	$198	$0	$0.27	$44.00	$15.20
TC 40%	0	1	1	1	750	$327	283	279	279	$0	$0.38	44.00	15.20
TC 50%	3	1	1	1	750	$408	364	360	360	$1,092	$0.49	44.00	15.20
TC 60%	1	1	1	1	750	$490	446	441	441	$446	$0.59	44.00	15.20
TC 30%	0	5	2	1	947	$295	235	234	1,172	$0	$0.25	60.00	16.29
TC 40%	0	5	2	1	947	$392	332	331	1,657	$0	$0.35	60.00	16.29
TC 50%	21	8	2	1	947	$490	430	428	3,428	$9,030	$0.45	60.00	16.29
TC 60%	13	16	2	1	947	$588	528	525	8,407	$6,864	$0.56	60.00	16.29
MR	1	1	2	1	947		635	635	635	$635	$0.67	60.00	16.29
EO	1	1	2	1	947		0	635	635	$0	$0.00	60.00	16.29
TC 30%	0	3	3	2	1,067	$340	262	266	799	$0	$0.25	78.00	20.68
TC 40%	0	3	3	2	1,067	$453	375	378	1,135	$0	$0.35	78.00	20.68
TC 50%	19	7	3	2	1,067	$566	488	490	3,432	$9,272	$0.46	78.00	20.68
TC 60%	12	18	3	2	1,067	$680	602	602	10,840	$7,224	$0.56	78.00	20.68
MR	1	1	3	2	1,067		761	761	761	$761	$0.71	78.00	20.68
TC 30%	0	1	4	2	1,251	$380	285	293	293	$0	$0.23	95.00	24.66
TC 40%	0	1	4	2	1,251	$506	411	418	418	$0	$0.33	95.00	24.66
TC 50%	3	1	4	2	1,251	$632	537	543	543	$1,611	$0.43	95.00	24.66
TC 60%	1	1	4	2	1,251	$759	664	668	668	$664	$0.53	95.00	24.66
TOTAL:	76	76		**AVERAGE:**	1,003		$495	$475	$36,099	$37,599	$0.49	$68.58	$18.52

INCOME	Total Net Rentable Sq Ft:	76,240			**TDHCA Amend**	**TDHCA**	**APPLICANT**	**APP Amend**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$451,188	$433,188	$432,132	$451,188	Hidalgo		11
Secondary Income			Per Unit Per Month:	$12.47	11,376	10,920	10,920	11,376	$12.47	Per Unit Per Month	
Other Support Income:					0	0	456	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$462,564	$444,108	$443,508	$462,564			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(34,692)	(33,308)	(33,264)	(34,692)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0	0	0			
EFFECTIVE GROSS INCOME					$427,872	$410,800	$410,244	$427,872			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.28%	$410	0.41	$31,131	$31,131	$31,260	$29,480	$0.39	$388	6.89%
Management		5.00%	281	0.28	21,394	20,540	20,512	21,394	0.28	281	5.00%
Payroll & Payroll Tax		15.54%	875	0.87	66,500	66,500	81,000	68,510	0.90	901	16.01%
Repairs & Maintenance		7.78%	438	0.44	33,270	33,270	34,200	33,200	0.44	437	7.76%
Utilities		3.65%	206	0.21	15,636	14,322	13,800	14,400	0.19	189	3.37%
Water, Sewer, & Trash		6.91%	389	0.39	29,581	29,581	39,000	29,500	0.39	388	6.89%
Property Insurance		6.24%	351	0.35	26,684	26,684	30,000	30,000	0.39	395	7.01%
Property Tax	2.7093	4.57%	257	0.26	19,561	16,473	17,339	22,355	0.29	294	5.22%
Reserve for Replacements		4.44%	250	0.25	19,000	19,000	19,000	19,000	0.25	250	4.44%
TDHCA Compliance Fees		0.68%	38	0.04	2,920	2,920	2,920	2,920	0.04	38	0.68%
Supp Serv, Sec, USDA Mort Fee		0.35%	20	0.02	1,500	3,400	3,400	1,500	0.02	20	0.35%
TOTAL EXPENSES		62.44%	$3,515	$3.50	$267,177	$263,821	$292,431	$272,259	$3.57	$3,582	63.63%
NET OPERATING INC		37.56%	$2,114	$2.11	$160,695	$146,979	$117,813	$155,613	$2.04	$2,048	36.37%
DEBT SERVICE											
Lancaster-Pollard (w/rate credit)		17.92%	$1,009	$1.01	$76,691	$89,162	$89,162	$108,384	$1.42	$1,426	25.33%
Lancaster Pollard (w/o rate credit)		7.41%	$417	$0.42	31,693	0	0	0	$0.00	$0	0.00%
USDA Mort Fee		2.24%	$126	$0.13	9,586	6,952	6,943	9,545	$0.13	$126	2.23%
NET CASH FLOW		9.99%	$562	$0.56	$42,724	$50,865	$21,708	$37,684	$0.49	$496	8.81%
AGGREGATE DEBT COVERAGE RATIO					1.36	1.53	1.23	1.32			
RECOMMENDED DEBT COVERAGE RATIO						1.35		1.32			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA Amend**	**TDHCA**	**APPLICANT**	**APP Amend**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.06%	$2,132	$2.13	$162,025	$164,025	$174,000	$165,529	$2.17	$2,178	2.02%
Off-Sites		1.91%	1,974	1.97	150,000	150,000	150,000	150,000	1.97	1,974	1.83%
Sitework		10.20%	10,555	10.52	802,159	608,000	608,000	802,159	10.52	10,555	9.78%
Direct Construction		47.09%	48,747	48.59	3,704,786	3,651,876	3,735,000	4,035,000	52.92	53,092	49.20%
Contingency	1.71%	0.98%	1,012	1.01	76,875	41,875	41,875	76,875	1.01	1,012	0.94%
Contractor's Fees	13.11%	7.51%	7,774	7.75	590,850	596,383	608,020	590,850	7.75	7,774	7.20%
Indirect Construction		7.76%	8,030	8.01	610,317	578,900	578,900	610,317	8.01	8,030	7.44%
Ineligible Costs		5.80%	6,008	5.99	456,627	413,642	413,642	456,627	5.99	6,008	5.57%
Developer's Fees	14.78%	11.44%	11,842	11.80	900,000	848,861	890,000	900,000	11.80	11,842	10.97%
Interim Financing		3.88%	4,015	4.00	305,120	182,040	182,040	305,120	4.00	4,015	3.72%
Reserves		1.39%	1,434	1.43	109,000	157,038	191,832	109,000	1.43	1,434	1.33%
TOTAL COST		100.00%	$103,523	$103.20	$7,867,759	$7,392,639	$7,573,309	$8,201,477	$107.57	$107,914	100.00%
Construction Cost Recap		*65.77%*	***$68,088***	***$67.87***	***$5,174,670***	***$4,898,134***	***$4,992,895***	***$5,504,884***	***$72.20***	***$72,433***	*67.12%*

SOURCES OF FUNDS

									RECOMMENDED	
Lancaster-Pollard (w/rate credit)	17.79%	$18,421	$18.36	$1,400,000	$1,400,000	$1,400,000	$1,500,000	$1,500,000	Developer Fee Available
Lancaster Pollard (w/o rate credit)	5.40%	$5,592	$5.57	425,000	0	0	425,000	425,000	$900,000
City Permit Waivers	0.51%	$526	$0.52	40,000	0	0	40,000	40,000	
CharterMac Syndication	78.07%	$80,816	$80.56	6,142,000	6,142,000	6,142,000	5,734,992	5,734,992	% of Dev. Fee Deferred
Deferred Developer Fees	6.37%	$6,598	$6.58	501,485	61,894	61,894	501,485	497,981	55%
Additional (Excess) Funds Req'd	-8.14%	($8,431)	($8.40)	(640,726)	(211,255)	(30,585)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$7,867,759	$7,392,639	$7,573,309	$8,201,477	$8,197,973	$768,022

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			7.72	588,649
Breezeways/Balconies	$23.30	13,458	4.11	313,551
Plumbing Fixtures	$805	108	1.14	86,940
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	$70.61	3,943	3.65	278,425
Other: fire sprinkler	$1.95	0	0.00	0
SUBTOTAL			73.86	5,631,037
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.81		(14.03)	(1,069,897)
TOTAL DIRECT CONSTRUCTION COSTS			$59.83	$4,561,140
Plans, specs, survy, bld prmts	3.90%		($2.33)	($177,884)
Interim Construction Interest	3.38%		(2.02)	(153,938)
Contractor's OH & Profit	11.50%		(6.88)	(524,531)
NET DIRECT CONSTRUCTION COSTS			$48.59	$3,704,786

PAYMENT COMPUTATION

Primary	$1,500,000	Amort	480
Int Rate	4.13%	DCR	2.10

Secondary	$425,000	Amort	480
Int Rate	7.00%	Subtotal DCR	1.86

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N(

Lancaster-Pollard (w/rate credit)	$76,691
Lancaster Pollard (w/o rate credit)	31,693
USDA Mort Fee	9,586
NET CASH FLOW	$37,643

Primary	$1,500,000	Amort	480
Int Rate	4.13%	DCR	2.03

Secondary	$425,000	Amort	480
Int Rate	7.00%	Subtotal DCR	1.44

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.32

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	$451,188	$464,724	$478,665	$493,025	$507,816	$588,698	$682,462	$791,161	$1,063,254
Secondary Income	11,376	11,717	12,069	12,431	12,804	14,843	17,207	19,948	26,808
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	462,564	476,441	490,734	505,456	520,620	603,541	699,670	811,109	1,090,062
Vacancy & Collection Loss	(34,692)	(35,733)	(36,805)	(37,909)	(39,046)	(45,266)	(52,475)	(60,833)	(81,755)
Employee or Other Non-Rental Units or Cc	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$427,872	$440,708	$453,929	$467,547	$481,573	$558,276	$647,194	$750,276	$1,008,308
EXPENSES at 4.00%									
General & Administrative	$29,480	$30,659	$31,886	$33,161	$34,487	$41,959	$51,050	$62,110	$91,938
Management	21,394	22,035	22,696	23,377	24,079	27,914	32,360	37,514	50,415
Payroll & Payroll Tax	68,510	71,250	74,100	77,064	80,147	97,511	118,637	144,340	213,659
Repairs & Maintenance	33,200	34,528	35,909	37,345	38,839	47,254	57,492	69,947	103,539
Utilities	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Water, Sewer & Trash	29,500	30,680	31,907	33,183	34,511	41,988	51,084	62,152	92,000
Insurance	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Property Tax	22,355	23,250	24,180	25,147	26,153	31,819	38,712	47,100	69,719
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	4,420	4,597	4,781	4,972	5,171	6,291	7,654	9,312	13,784
TOTAL EXPENSES	$272,259	$282,935	$294,033	$305,567	$317,556	$384,974	$466,778	$566,049	$832,777
NET OPERATING INCOME	$155,613	$157,772	$159,897	$161,980	$164,018	$173,302	$180,417	$184,226	$175,530
DEBT SERVICE									
Lancaster-Pollard (w/rate credit)	$76,691	$76,691	$76,691	$76,691	$76,691	$76,691	$76,691	$76,691	$76,691
Lancaster Pollard (w/o rate credit)	31,693	31,693	31,693	31,693	31,693	31,693	31,693	31,693	31,693
Other Financing	9,586	9,499	9,408	9,313	9,214	8,644	7,928	7,028	4,451
NET CASH FLOW	$37,643	$39,889	$42,104	$44,283	$46,420	$56,274	$64,105	$68,815	$62,695
DEBT COVERAGE RATIO	1.32	1.34	1.36	1.38	1.39	1.48	1.55	1.60	1.56

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	$165,529	$162,025		
Purchase of buildings				
Off-Site Improvements	$150,000	$150,000		
Sitework	$802,159	$802,159	$802,159	$802,159
Construction Hard Costs	$4,035,000	$3,704,786	$4,035,000	$3,704,786
Contractor Fees	$590,850	$590,850	$590,850	$590,850
Contingencies	$76,875	$76,875	$76,875	$76,875
Eligible Indirect Fees	$610,317	$610,317	$610,317	$610,317
Eligible Financing Fees	$305,120	$305,120	$305,120	$305,120
All Ineligible Costs	$456,627	$456,627		
Developer Fees				
Developer Fees	$900,000	$900,000	$900,000	$900,000
Development Reserves	$109,000	$109,000		
TOTAL DEVELOPMENT COSTS	$8,201,477	$7,867,759	$7,320,321	$6,990,107

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		$7,320,321	$6,990,107
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$9,516,417	$9,087,139
Applicable Fraction		97%	97%
TOTAL QUALIFIED BASIS		$9,262,646	$8,844,816
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$791,956	$756,232
Syndication Proceeds	**0.8299**	**$6,572,579**	**$6,276,096**

Total Tax Credits (Eligible Basis Method)	**$791,956**	**$756,232**
Syndication Proceeds	**$6,572,579**	**$6,276,096**
Updated Request	**$691,032**	
Syndication Proceeds	**$5,734,992**	
Gap of Syndication Proceeds Needed	**$6,232,973**	**$5,902,759**
Total Tax Credits (Gap Method)	**$751,036**	**$711,247**
Syndication Proceeds	**$5,734,992**	
Board Approved Allocation	**$691,032**	

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 [X] QCT [ ] DDA

Key Attributes: Multifamily, Family, Rural, USDA-RD, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	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

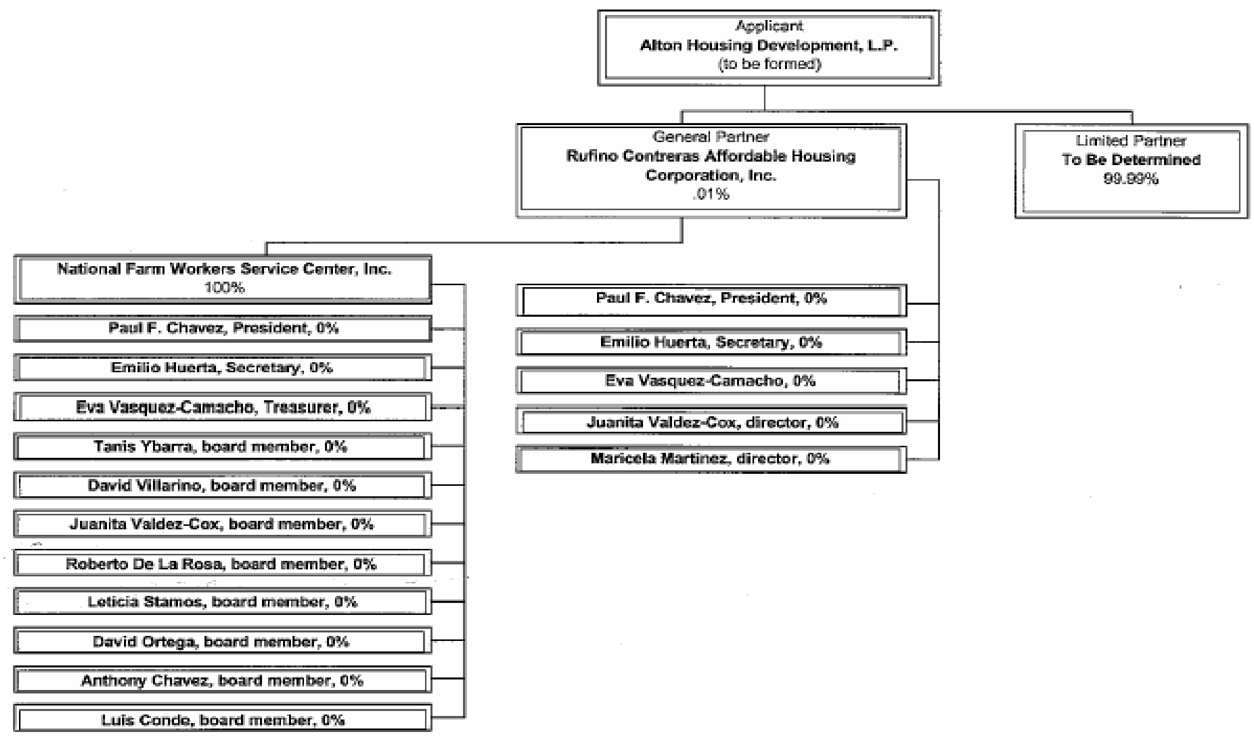
PROS	CONS
▫ The application utilizes the combination of tax credits and USDA 538 financing to deep rent target with 37 of the 76 units targeting households within incomes below 60% of AMI.	▫ The Underwriter's expense to income ratio is within 1% of the 65% maximum and the Applicant's expense to income 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

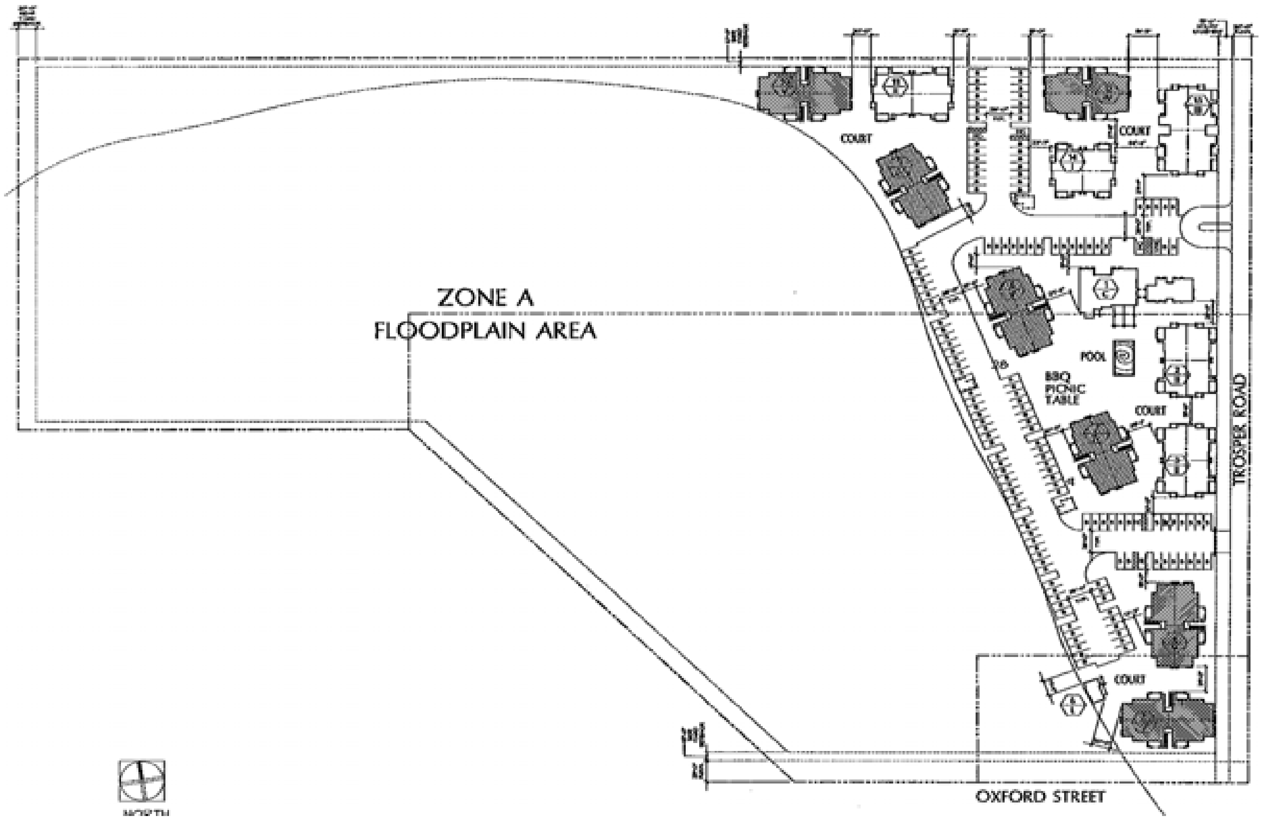
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- 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**

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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 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 approval 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:	6.99 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	Zones X & A	Within 100-yr floodplain?	[X] Yes	[ ] No	
Zoning:	R-3	Needs to be re-zoned?	[ ] Yes	[X] 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 [X] 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	25% 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 ration 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? [X] Yes [ ] No

Acquisition Cost: $439,780 Other: $22,000 per acre

Seller: Carlos L Guerra & Eugenio Botello Related to Development Team? [ ] Yes [X] 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% X 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:	12/7/2007
Reviewing Underwriter:	*Raquel Morales*	Date:	12/7/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	12/7/2007

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		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$433,188	$432,132	Hidalgo		11
Secondary Income		Per Unit Per Month:	$11.97	10,920	10,920	$11.97	Per Unit Per Month	
Other Support Income:				0	456	$0.50	Per Unit Per Month	
POTENTIAL GROSS INCOME				$444,108	$443,508			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(33,308)	(33,264)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$410,800	$410,244			

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					1.53	1.23			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

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						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

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, bld 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

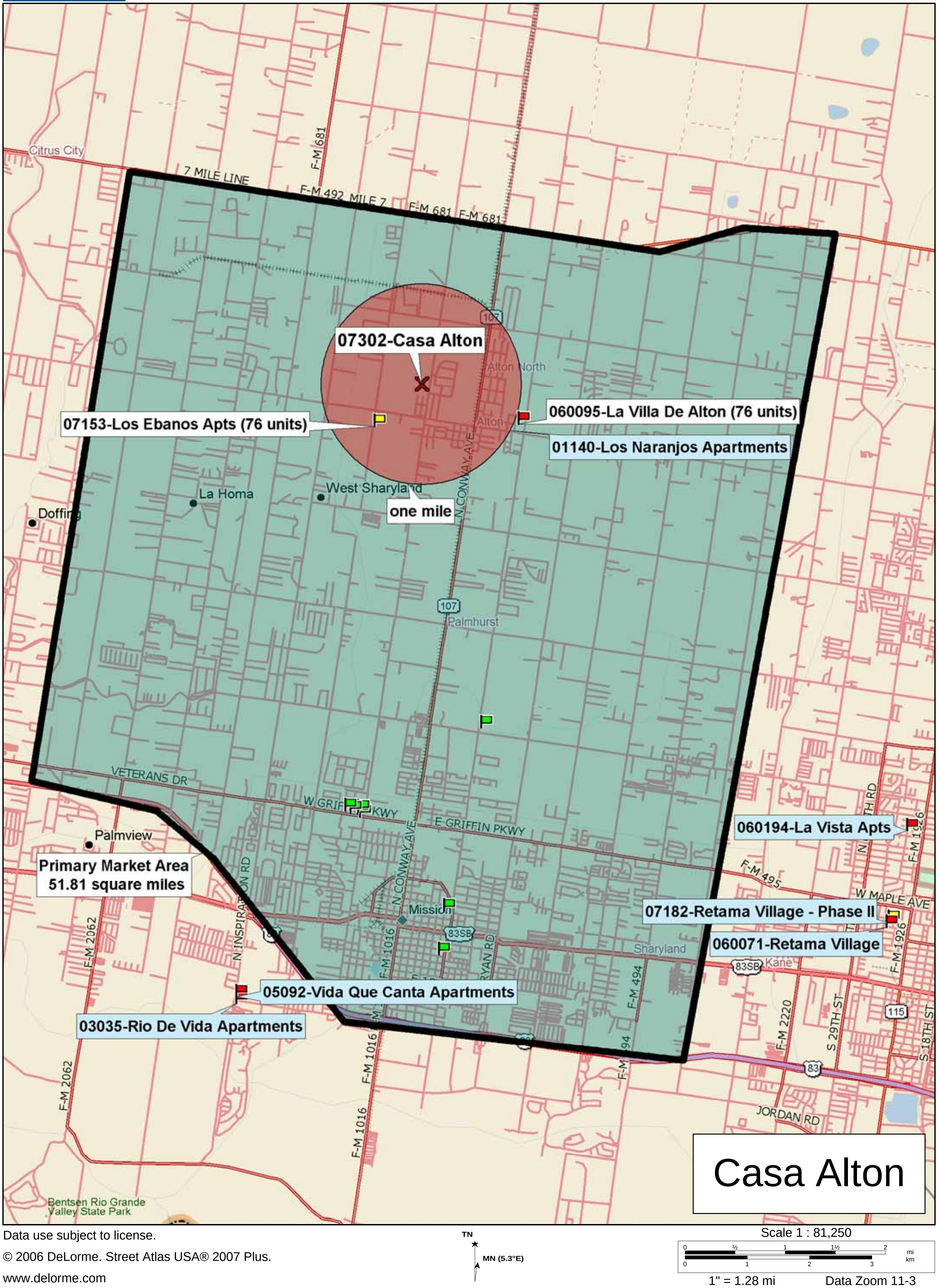
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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**	



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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

May 28, 2008

Cameron Dorsey
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin TX 78701-

Re: Revision to amendment request for Casa Alton, TDHCA #07302

Dear Mr. Dorsey,
Please accept this letter as a request to amend the Low-income Housing Tax Credit application referenced above. Due to tax credits being awarded to this application late in the year, December 2007, and declining market conditions, we have made changes to our rent schedule in order to make this project more financially feasible. Listed below are all of the changes made from time of application to the attached revised proformas:

1. Rent Schedule: This reflects 2008 rent limits and current utility allowances, along with no income for the employee unit. In addition, we have changed the unit mix to reflect 61% of the units set aside for families earning at or below 50% AMI. This would have given us 20 points on our original application, only a two point reduction from the 22 points we received. Even with this point reduction, we would have been the next application in line for a tax credit award.
2. Annual Operating Expenses: In the annual operating expenses originally submitted with the amendment request, $4580 for tenant screening, *rental concessions*, and association dues were reflected under other administrative costs. While this was listed as rental concessions, it was meant to reflect application fees for tenants that are usually waived in the first year of lease-up. This number has been reduced to more accurately reflect the cost associated with these waived fees and is now listed as tenant screening and association dues.
3. Development Costs Schedule: The development cost schedule has been adjusted to more accurately reflect development costs, particularly site work and construction loan interest.
4. Summary of Sources and Uses: This has been adjusted to reflect the updated offer letters from the construction lender, Wells Fargo, the equity provider, NEF, and the permanent lender, Lancaster Pollard.

In Addition, in order to keep construction costs from increasing even more, we also request an amendment to our application in regards to three design items:

- Conversion of 2-bedroom, 2-bath units to 2-bedroom, 1-bath units. This will not affect total square footage but allows us to save $60,000 in the cost of plumbing materials and labor. It is the opinion of the property managers that this will not adversely affect lease-up and is not a priority to the residents in the area.
- Revised design of the community and laundry room. The original site plan called for two separate buildings, a 361 square foot laundry room and a 3,943 square foot community room which also housed the leasing, maintenance, and community services offices. We have combined them into one 3,989 square foot building. No changes were made to the amenities provided to the tenants.

Thank you for your consideration,

Jean Coburn
Project Manager

Service through self-help since 1966

WELLS FARGO

Mahesh S. Aiyer
Vice President

Wells Fargo Bank N.A.
Community Development and Specialized Lending
MAC T5002-103
1000 Louisiana, 10th Floor
Houston, Texas 77002
(713) 319-1489
mahesh.aiyer@wellsfargo.com

May 27, 2008

Jean Coburn
National Farm Workers Service Center, Inc.
Housing and Economic Development Fund
908 E. 5th Street, Suite 201
Austin, Texas 78702

Dear Jean:

Based on the information you have provided to Wells Fargo Bank on the changed unit rent mix, it appears that these changes are necessary for the feasibility of the project. The deferred developer will need to be paid within the appropriate TDHCA guidelines. As construction lender, Wells Fargo Bank will be repaid by a combination of tax credit equity funds as wells as permanent financing. Changing the unit mix will allow for a greater margin of safety in meeting the TDHCA guidelines and therefore mitigate a substantial risk that tax credits are lost and that the tax credit investor would adjust the credit payments.

We are satisfied that the new unit mix adjustment is feasible. The previous unit mix with the inclusion of 30% AMI units is not financially feasible and would cause financing issues for the development. We are hopeful that your revised unit mix will be approved by the TDHCA.

Please use this in letter in conjunction with our term sheet proposal also dated May 27, 2008.

Again please note that this letter does not represent a final commitment by the Bank for the proposed financing, nor does it define all the terms and conditions of loan documents, but is a framework upon which a loan request may be submitted. Issuance of a commitment by the Bank is subject to the approval of the loan request under the Bank's internal approval process, which includes, but is not limited to, a review of the Borrower's then current financial condition and review and approval of all third party reports, in addition to completion of loan documents in form and substance acceptable to the Bank.

If you should have any questions please feel free to call me at (713) 319-1489. Jean, thank you for giving us the opportunity to provide financing for this project.

Sincerely,
Wells Fargo Bank, N.A.

By: Mahesh Aiyer
Mahesh S. Aiyer
Vice President
Community Development &
Specialized Lending

PH

07302

Robbye Meyer
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin TX 78701-2410

Ms. Meyer:

Based upon the information provided by Jean Coburn, representing Alton Housing Development, L.P. and the National Farm Workers Service Center, it appears that the changes proposed to the unit mix for Casa Alton, TDHCA #07302, are necessary to maintain the financial feasibility of the project. The elimination of the units that were originally set aside for families earning at or below 30% AMI makes it possible to pay off the deferred developer fee within the TDHCA guideline of 15 years. As the possible tax credit syndicator for this development, we support these proposed changes.

The project as originally proposed with the unit mix, that included 30% AMI units is not financially feasible. It does not allow for deferred developer fee to be paid within 15 years, and, in addition, the expense to income ratio in year one would be greater than the TDHCA threshold of 65% should the 30% AMI units be included.

Therefore, we urge the TDHCA to approve the requested amendment to the tax credit application for Casa Alton. This project, even after these adjustments to the unit mix, will provide much needed affordable housing to the City of Alton.

Sincerely,

Todd Fabian
Vice President
National Equity Fund

LANCASTER POLLARD
MORTGAGE COMPANY

May 30, 2008

Ms. Jean Coburn
Senior Project Manager
National Farm Workers Service Center
Rufino Contreras Affordable Housing Corp.
908 E. 5th Street, Suite 201
Austin, TX 78702

Re: ***RD 538 Guaranteed Financing***
Casa Alton

Dear Ms. Coburn:

Considering the current amount of LIHTC equity available to Casa Alton, the current financing plan does not allow the deferred developer fee to be paid back to the developer in 15 years. By changing the unit mix and moving certain units into a higher AMI qualification, the project will be able to increase its revenue potential and support more debt. This debt will supplement the reduced amount of equity available in the sources of funds. Changing the unit mix in this way will allow the project to remain feasible and pay back the developer fee in an acceptable amount of time. As the permanent lender, Lancaster Pollard sees this as a viable solution to the problem stated above.

This letter is intended as an outline of certain of the material terms of the guaranteed loan and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions which would be contained in definitive documentation for the loan contemplated hereby. This letter does not represent a Final Commitment to lend and is subject to additional underwriting diligence and certain other requirements as a precedent to loan closing.

Please contact me if you have any questions.

Sincerely,

Nicholas Gesue

Nicholas Gesue
Underwriter

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Action for Housing Tax Credit Amendment and Possible Approval of an Additional Award of HOME Funds.

Requested Action

Approve, amend or deny the request for amendment and additional funds.

Background

§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.

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 Housing Tax Credit 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 are [sic] 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 the 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 up to $1,000 per day for each violation.

Authority for HOME Amendments

§53.73(a), 2008 HOME Program Rules, entitled, "Contract Amendments," states in part:

(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.

Authority for use of Deobligated Funds

§1.19(e)(2)(F), Deobligated Funds Rules, entitled, "Reassignment of Funds," states in part:

(1) The Department shall not recommend to reprogram or reassign Deobligated funds from the HOME Program or other programs with Deobligated funds other than state general revenue funds described in subsection (d)(3) of this section for purposes other than disaster relief unless the remaining Deobligated fund balance after reprogramming of funds is an amount equivalent to or greater than 5% of the most current annual allocation of such funds, for example the annual allocation of HOME funds from HUD.

(2) It is the policy of the Department that funds not reserved for disaster relief may be used for any of the activities listed below as needed in the Department's discretion subject to the approval of the Governing Board:

(A) Successful appeals related directly to the program funds available as allowable under program rules and regulations;

(B) Leveraging of funds with other local, state or federal resources for applications made to the Department for any one or more of the programs operated by the Department;

(C) Funding of projects identified as beneficial by the Department and identified in a Notice of Funding Availability approved by the Board;

(D) Disaster relief including but not limited to disaster declarations or documented extenuating circumstances such as imminent threat to health and safety;

(E) Funding of applications for program funds on existing Department waiting lists or reservation systems;

(F) Funding to existing previously awarded eligible contracts in need of additional resources for circumstances considered unique or extenuating by the Department's Board;

HTC No. 07177, Hamilton Senior Village

Summary of Request: In 2007, Hamilton-Charger Senior Properties, L.P. received an award of $225,000 in HOME funds amortized over 30 years and an annual allocation of Housing Tax Credits of $339,782. The owner's loan was scheduled to close by August 1, 2008. The HOME loan commitment allows a 24-month development period. On March 6, 2008, the Department received a loan modification request from the owner to increase the HOME award by $150,000 to a total loan request of $375,000. This request was later rescinded by the owner after discussions with staff led the owner to believe that the request would not be supported by staff. On May 12, 2008, the owner submitted a request for an increase in HOME funds of $998,992 with a total HOME request of $1,223,992 for a 40 year loan term at 1.5% interest (the current request). This request came from the owner after Board approval, for an unrelated development, of a somewhat similar but much smaller request for additional HOME funds over staff's recommendation for denial.

The owner has indicated to the Department that the proposed syndicator is requiring the owner to project a 10% vacancy rate with the current unit mix. The syndicator's underwriting of a 10% vacancy rate unless the number of two bedroom units is reduced, calls into question the overall demand for additional proposed units in this market. The Department's original underwriting identified concern over the limited demand for two-bedroom units targeting the 60% Area Median Gross Income (AMGI) level.

In order to address the concerns of the syndicator and underwriter, the owner is requesting approval to change the unit mix from 20 two-bedroom units and 16 one-bedroom units to four two-bedroom units and 32 one-bedroom units. This conversion of 16 two-bedroom units into one-bedroom units would decrease the net rentable area by approximately 3,280 square feet or 9.6%, from 34,340 square feet to 31,060 square feet. To compensate for the changes requested, the owner proposes to change the rent and income restrictions from four units at 30% of AMGI and 32 units at 60% of AMGI to four units at 30%, 14 units at 50% and 18 units at 60% of AMGI. The owner has indicated that the changes will satisfy the syndicator's concerns, address concerns in the Department's original underwriting report regarding the potential excess number of two-bedroom units targeting 60% and will generally allow the development to better meet the needs of the market.

These changes will result in a reduction in income that will necessitate a reduction in the debt service. The development was originally projected to utilize a USDA 538 loan and HOME funds for all of its permanent financing and both sources would have a minimum interest rate equal to the Applicable Federal Rate (AFR) in order to maintain eligibility of the 9% credit. The owner now wishes to replace the USDA 538 loan that was originally proposed with additional TDHCA HOME Funds. The change in financing would eliminate the subject development from the USDA set-aside but none of the changes requested would have affected the score of the application or the recommendation for an award. In addition, the HOME loan could allow the development to preserve the 9% credits and have an interest rate below AFR as long as 40% of each building serves households earning 50% or less of the area median income. In this case because all buildings are four unit buildings, two units in each building or 50% (18) of the units will be required to meet this requirement.

To meet the Federal maximum per-unit subsidy limitations (221(d)(3)(ii) of the National Housing Act) for this increase in HOME funds, the owner must designate at least 11 (eleven) HOME rent-restricted units to include each unit type. The owner did not request additional HOME units to be set aside, however has indicated a willingness to include the additional HOME restricted units if the additional funds are awarded.

Deobligated HOME funds pursuant to Title 10 of the Texas Administrative Code, Section 1.19 (e)(2)(F) are available to fund this requested increase and the Board may approve additional funds out of deobligated sources for a previously awarded eligible contracts “for circumstances considered unique or extenuating by the Department's Board.”

The following chart reflects the changes to the unit mix and income targets:

	Application			Amendment		
AMGI	1BR	2BR	Total	1BR	2BR	Total
30%-LH	4		4	4		4
50%-HH				12	2	14
60%-HH		2	2			
60%	12	18	30	16	2	18
Total	16	20	36	32	4	36

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a modification of the number of units or bedroom mix of units and any other modification considered significant by the board.
Owner:	Hamilton-Charger Senior Properties LP
General Partner:	Hamilton-Charger Affiliates LLC
Developers:	Hamilton-Charger Affiliates LLC
Principals/Interested Parties:	Louis and Bonita Williams
Syndicator:	Michel Associates, Ltd (Raymond James was originally identified as the syndicator but has since been replaced)

Construction Lender:	Lancaster Pollard
Permanent Lender:	Lancaster Pollard
Other Funding:	HOME Funds from TDHCA
City/County:	Hamilton/Hamilton
Set-Aside:	TRDO-USDA
Type of Area:	Rural
Region:	8
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	Minimum 11 HOME Units if amended/ 36 HTC units
2007 HTC Allocation:	$339,782
Amended HTC allocation:	$319,561 (based upon request)
Allocation per HTC Unit:	$9,438
Original HOME Award:	$225,000
Original HOME Terms:	Amortizing 40-year loan at AFR
Amended HOME allocation:	$1,223,992
Amended HOME Terms:	Amortizing 40-year loan at 1.5% (requested) 2.25% (underwritten)
Prior Board Actions:	7/07 – Approved award of tax credits and HOME funds

Underwriting Evaluation: The development as originally approved continues to meet the Department's Real Estate Analysis Rules and Guidelines, and therefore, staff has no basis on which to recommend a change to the original Board approved HOME and tax credit awards. The original HOME award of $225,000 at AFR fully repayable and amortized over 40 years and 2007 9% award of $339,782 annually for 10 years remain viable according to the Underwriter's analysis. The underwriter notes, however, that the changes in regards to the tax credit award will not be viable without the changes in the HOME award.

Staff Recommendation: **The underwriting report does not recommend approval of the amendment request because the development is still financially viable pursuant to the rules and guidelines of the Department. Staff acknowledges that the proposed changes in unit mix and AMGI would be more in line with the market study and would serve more low income Texans at 50% and below AMGI.**

Should the Board choose to accept the Owner's request to modify the unit mix, rent structure and financing structure, staff would recommend increasing the HOME funds by not more than $998,992 for a total HOME loan of $1,223,992 to carry an interest rate of 2.25% and amortization and term of 40 years. Four (4) 1-bedroom units must be designated as a 30% HTC/Low HOME unit; twelve (12) 1 bedroom units must be designated as 50% HTC/High HOME (HH) units; and two (2) 2 bedroom units must be designated as 50% HTC/High HOME units if the Board chooses to approve this request. The Department's loan closing to occur no later than December 1, 2008 and no further extension time to be granted for the HOME funds.

Additionally, staff would recommend that with the reduction of net rentable square footage and reduction in overall development cost, the Housing Tax Credit award be decreased to not more than $319,561 as requested by the owner

Penalty Assessment: **No penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

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

REPORT DATE: 06/09/08 PROGRAM: 9%HTC/HOME FILE NUMBER: 07177

DEVELOPMENT

Hamilton Senior Village

Location: Williams Street, 11 acres at Hamilton city limits Region: 8

City: Hamilton County: Hamilton Zip: 76531 ☐ QCT ☐ DDA

Key Attributes: Elderly, Rural, New Construction, USDA Allocation and Multifamily

ALLOCATION

	NEW REQUEST*			RECOMMENDATION		
TDHCA Program	Total Amount	Interest	Amort/Term	**Total Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$1,223,992	2.25%	40/40	**$225,000**	**5.00%**	**30/30**
Housing Tax Credit (Annual)	$319,561			**$339,782**		

* The requested HOME loan amounts to a $998,992 increase in the original Board approved award.

	ORIGINAL REQUEST			APPROVED FUNDING		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$225,000	5.00%	30/30	**$225,000**	**5.00%**	**30/30**
Housing Tax Credit (Annual)	$339,782			**$339,782**		

RECOMMENDATION:

The development as originally approved continues to meet the Department's Real Estate Analysis Rules and Guidelines, and therefore, staff has no basis on which to recommend a change to the original Board approved HOME and tax credit awards. The original HOME award of $225,000 at a 5% interest rate fully repayable and amortized over 40 years and 2007 9% award of $339,782 annually for 10 years remains viable according to the Underwriter's analysis. However the syndicator's underwriting requirement to project a 10% vacancy unless the number of two bedroom units is reduced, calls into question demand for additional proposed units in this market.

Based upon the syndicator's direction and constraints, however, reducing the number of two bedroom units from 20 to 4 and increasing the number of HOME units from 6 to 18 would necessitate an overall debt service reduction. This could only be accomplished by reducing the interest rate on all or a portion of the proposed debt and increasing the amount of HOME funds would be the most viable way to do this. (The request to reduce the interest rate to below the Applicable Federal Rate also necessitates that a minimum of 50% of the units in each building- 18 units- serve households earning 50% of AMI or less)

Should the Board choose to accept the Applicant's request to modify the unit mix, rent structure and financing structure, staff would recommend increasing the HOME funds by not more than $998,992 for a total HOME loan of $1,223,992 to carry an interest rate of 2.25% and amortization and term of 40 years. Additionally, staff recommends that with the reduction of net rentable square footage and reduction in overall development cost, the 9% HTC award be decreased to not more than $319,561 as requested by the Applicant in the amendment, subject to the condition below.

CONDITIONS

1 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA			
Income Limit	Rent Limit	Original	**Requested**
30% of AMI	30% of AMI/Low HOME	4	**4**
50% of AMI	50% of AMI/High HOME	0	**14**
60% of AMI	60% of AMI/High HOME	2	**0**
60% of AMI	60% of AMI	30	**18**

PROS

- This is the first new construction tax credit transaction to be completed in the City of Hamilton.

CONS

- The proposed changes weaken the long term financial viability of the development which, without increasing the lower cost HOME debt, would make the transaction financially infeasible.
- As a result of the proposed change in unit mix and resulting lower rental income, the Applicant's expense to income ratio is now just a fraction of one percent below the 65% maximum, and the Underwriter's ratio is 65.8% as opposed to the 56% ratio in the original application.
- The decision to alter the development at this late date in the development timeline provides the Applicant with little time until the June 27th deadline to meet and document the 10% test and failure to meet this federal deadline will result in the loss of the development for this community and the return of these credits.

CONTACT

Contact: Bonita Williams Phone: (936) 560-5702 Fax: (936) 560-2636
Email: louisw@suddenlink.net

ADDENDUM

The subject transaction was originally underwritten and approved in 2007 for a 9% HTC allocation and HOME award. However, on May 9, 2008 the Department received a request from the Applicant to amend the application as follows:

- A change in the unit mix from twenty 2-bedroom units and sixteen 1 bedroom units to four 2 bedroom units and thirty-two 1 bedroom units (detailed summary in chart below).
- A change in the restriction of 14 of the units originally restricted at 60% of AMI to be further restricted at 50% of AMI.
- Replacement of the originally contemplated USDA 538 loan with a an increase in the HOME loan of $998,992 for a total HOME loan of $1,223,992, and sole first lien position of the Department funds.

The Applicant has indicated that these changes are needed because the transaction has been turned down by three syndicators, because there is "no market" for 20 two bedroom units as originally approved. The Applicant also states that a below market HOME loan is the only viable source based on the new unit mix and rent structure. The Underwriter' analysis has confirmed that the Applicant's debt coverage ratio would be 0.99, below breakeven, if only the new unit mix were approved but the original financing structure was maintained.

It should be noted that the original underwriting reported concern about the significant number of two bedroom units at 60% of AMI due to an inclusive capture rate well above 100%; however, the application met all of the Department's guidelines.

The Applicant has also resubmitted the development cost schedule, which reflects a 3% reduction in direct construction costs and 6% reduction in total development costs associated with the cost savings due to fewer two bedroom units and more one bedroom units.

This addendum fully evaluates the effects of the requested changes on the financial viability of the transaction and the tax credit allocation. Only those portions of the report that are materially affected are addressed below. This addendum should be read as an addition to the original underwriting report.

It should be noted that the originally approved development plan continues to meet the Department's guidelines despite the slight drop in the credit price. Based on the Underwriter's evaluation, the decrease in tax credit equity would result in the need for $229,995 in deferred developer fees, which could be projected to be repaid within 11 years of stabilized operation.

In correspondence, the syndicator indicated that a 10% vacancy loss was being used for underwriting and that this caused deferred developer fee to not be repayable in the required timeframe (12 to 14 years depending on circumstances). Again the Underwriter's analysis confirms that the use of a 10% vacancy would cause the deferred developer to be repaid over a longer period of time and with the reduction in the credit price perhaps even beyond the Department's 15 year maximum. The market study did not conclude the need for a vacancy rate as high as 10% however the high inclusive capture rate for two bedroom units targeting the 60% income level could be seen as support for the concerns expressed by the syndicator.

REQUESTED CHANGES TO UNIT MIX and RESTRICTIONS

Unit Type	Unit Restrictions	Number of Units	
		Approved	Requested
1 Bedroom/840 SF	TC 30%/LH	4	4
1 Bedroom/840 SF	TC 50%/HH		12
1 Bedroom/840 SF	TC 60%	12	16
2 Bedroom/1045 SF	TC 50%/HH		2
2 Bedroom/1045 SF	TC 60%/HH	2	
2 Bedroom/1045 SF	TC 60%	18	2

OPERATING PROFORMA ANALYSIS

Income:

As reflected above, the Applicant has requested substantial changes to the unit mix and rent restrictions. The Applicant's revised rents are based on the unit and rent structure in the amendment request. The Applicant used rents equal to the lesser of the 2008 HTC rent limits or 2008 HOME rent limits less the applicable utility allowances. The Underwriter's net rents are equal to the Applicant's. The requested changes result in a net decrease in potential gross rent of $27K or 12% primarily due to the decrease in two bedroom units and restriction of significantly more units at 50% of AMI as required to receive below market federal HOME funds and maintain eligibility of 9% HTCs.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. Under the revised unit mix, both the Applicant and Underwriter used a standard 7.5% vacancy and collection loss estimate. The Applicant's resulting effective gross income estimate is within 5% of the Underwriter's.

Expense:

The Applicant’s revised total annual operating expense projection of $3,223 per unit is within 5% of the Underwriter’s estimate of $3,263, derived from the TDHCA database, IREM, and other third party sources.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimate. Therefore, the Applicant's revised proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's proforma yields a DCR of 1.35 which is within the Department's current guideline of 1.15 to 1.35.

The Underwriter's expense to income ratio (65.80%) exceeds the Department's maximum expense to income ratio of 65%. However, the Applicant's proforma is used in the analysis and reflects an expense to income ratio of 64.99%, just below the maximum. While this meets the guideline, this high expense to income ratio is of great concern due to the difficulty of such a transaction to sustain viable operations during periods of rising expenses and flat to decreasing income. This ratio has increased significantly from the 56% originally projected which reflects a significant deterioration in the projected operations of the development especially in the longer term.

If the Applicant's original debt structure with a USDA 538 first lien and $255K TDHCA HOME second lien were used, the Applicant's debt coverage ratio would fall to 0.99, which is below breakeven and therefore the proposed unit mix would not be viable under such a scenario. Since both the USDA 538 loan and the HOME loan were set at AFR, any reduction in interest rate would necessitate a reduction in eligible basis by the amount of the below market rate financing or only the HOME funds at the below AFR rate with 50% of all buildings serving households at 50% or less of area median income. Thus the revised unit mix proposes the minimum number of units, 18, that must be set aside serving 50% households.

Feasibility:

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

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Acquisition Value:

While noted in the original underwriting report it is worth noting again that the Applicant plans to use approximately half of the acreage to be purchased. The Applicant confirmed the entire 11 acres will be included in the LURA and dedicated for use by the development and its tenants. If the Applicant were to subsequently request a release of the excess acreage for a second phase or for an alternate use, this development could have been over funded and a reduction in credits might be required.

Sitework Cost:

The Applicant did not revise the sitework costs as a result of the changes to the unit mix.

Direct Construction Cost:

The Applicant’s revised direct construction cost estimate is within 5% of the Underwriter’s revised Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant has estimated a 3.03% reduction in the direct construction costs resulting from the requested unit mix changes. The Underwriter has estimated a 3.65% cost decrease.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule is used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $3,897,091 supports annual tax credits of $333,201 however this is less than the Applicant's revised request which self-restricted tax credits to $319,561. This figure will be compared to the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES

Source: Lancaster Pollard Mortgage Company Type: **Interim to Permanent Financing**

Principal: $0 Interest Rate: 4.39% [x] Fixed Term: 480 months

Comments:

The Applicant has proposed a financing structure without this originally contemplated source of funds. However, at the request of the Underwriter, the Applicant provided the latest commitment from USDA indicating an approved but conditional commitment to provide a $1,031,878 USDA 538 first lien. The Applicant has not indicated that Lancaster Pollard is unwilling to move forward with the originally approved development plan.

Source: Michel Associates, Ltd Type: **Syndication**

Proceeds: $2,682,445 Syndication Rate: 84% Anticipated HTC: $ 319,561

Comments:

The anticipated credit price has decreased by $0.02 per dollar of credit, which alone has not had a significant impact on the viability of the originally structured transaction. Based on the updated letter, the syndicator is utilizing an applicable percentage of 8.20% which is significantly less than the 8.55% originally underwritten. It appears that the Applicant's revised request for tax credits is based on this lower applicable percentage.

Amount: $160,280 Type: **Deferred Developer Fees**

CONCLUSIONS

Financing Structure based on Amendment Request:

As indicated above, the Applicant has requested an $998,992 increase in the originally approved HOME loan, which results in a total requested HOME loan of $1,223,992.

The Applicant's total development cost estimate less the proposed HOME loan of $1,223,992 indicates the need for $2,842,999 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $338,688 annually would be required to fill this gap in financing. Should the Board choose to approve the Applicant's request amendment, of the four possible tax credit allocations, Applicant's new request ($319,561), the original Board approved allocation ($339,782), the gap-driven amount ($338,687), and eligible basis-derived estimate ($333,201), the Applicant's new request for $319,561 is recommended.

The Underwriter's recommended financing structure indicates the need for $160,554 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation. Should the development be allowed to change the unit mix as proposed but fail to receive the additional HOME funds requested, deferred fees would increase to $1,159,546. This amount would be not repayable within 15 years of stabilized operation and the transaction would not be feasible. Alternatively the financing mix could be made minimally viable at a 1.15 DCR if the USDA were reduced to not more than $844,186 and the remainder of the requested debt ($379,806) were made in the form of a HOME loan at zero percent. This analysis concludes that with the syndicator's required change to the unit mix the transaction's only viable debt structure is to increase the amount and reduce the interest rate on the HOME loan.

But for the constraints placed on the transaction by the syndicator, staff has no underwriting basis on which to recommend a change to original Board approved HOME and tax credit awards. Therefore, staff recommends no change to the original HOME award of $225,000 at a 5% interest rate fully repayable and amortized over 40 years and a 2007 9% award of $339,782. Should the syndicator's concerns be taken at face value and the Board accept the need to revise the unit mix, an adjustment to the HOME award would be required. The increase in HOME funds with the most beneficial return to the Department would be to substitute all of the USDA debt for additional HOME funds as proposed by the Applicant.

The requested HOME amount is still below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on deferred developer fee based upon first year income is a modest 10%. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Originally Underwritten Financing Structure:

As indicated previously, the originally approved development plan continues to meet the Department's guidelines despite the slight drop in the credit price. Based on the Underwriter's evaluation, the decrease in tax credit equity would result in the need for $229,995 in deferred developer fees, which could be projected to be repaid within 11 years of stabilized operation.

Underwriter:	*Cameron Dorsey*	Date:	June 9, 2008
Reviewing Underwriter:	*Audrey Martin*	Date:	June 9, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 9, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177 -- 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%/LH	4	1	1	840	$267	$229			$916	$0.27	$38.00	$48.50
TC 50%/HH	12	1	1	840	$445	407			4,884	0.48	38.00	48.50
TC 60%	16	1	1	840	$534	496			7,936	0.59	38.00	48.50
TC 50%/HH	2	2	1	1,045	$535	488			976	0.47	47.00	54.30
TC 60%	2	2	1	1,045	$642	595			1,190	0.57	47.00	54.30
TOTAL:	36		**AVERAGE:**	863		$442	$505	$18,164	$15,902	$0.51	$39.00	$49.14

INCOME		Total Net Rentable Sq Ft:	31,060	TDHCA	TDHCA	APPLICANT	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$190,824	$217,968	$217,104	$190,824	Hamilton		8
Secondary Income		Per Unit Per Month:	$5.00	2,160	2,160	2,160	2,160	$5.00	Per Unit Per Month	
Other Support Income:				0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$192,984	$220,128	$219,264	$192,984			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(14,474)	(16,510)	(16,440)	(14,474)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0	0			
EFFECTIVE GROSS INCOME				$178,510	$203,618	$202,824	$178,510			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.74%	$285	0.33	$10,244	$10,244	$10,250	$10,654	$0.34	$296	5.97%
Management		5.70%	283	0.33	10,174	10,174	10,141	10,581	0.34	294	5.93%
Payroll & Payroll Tax		16.72%	829	0.96	29,841	29,841	27,500	25,535	0.82	709	14.30%
Repairs & Maintenance		8.31%	412	0.48	14,834	14,834	9,200	15,427	0.50	429	8.64%
Utilities		2.60%	129	0.15	4,644	4,644	4,194	5,586	0.18	155	3.13%
Water, Sewer, & Trash		3.13%	155	0.18	5,586	5,586	5,014	5,035	0.16	140	2.82%
Property Insurance		5.77%	286	0.33	10,302	10,302	15,500	10,714	0.34	298	6.00%
Property Tax	2.2718	9.16%	454	0.53	16,357	16,357	14,000	17,011	0.55	473	9.53%
Reserve for Replacements		5.04%	250	0.29	9,000	9,000	9,000	9,000	0.29	250	5.04%
TDHCA Compliance Fees		0.81%	40	0.05	1,440	1,440	2,000	1,440	0.05	40	0.81%
Other: Supp. Serv.		2.82%	140	0.16	5,030	7,127	7,127	5,030	0.16	140	2.82%
TOTAL EXPENSES		65.80%	$3,263	$3.78	$117,453	$119,549	$113,926	$116,013	$3.74	$3,223	64.99%
NET OPERATING INC		34.20%	$1,696	$1.97	$61,058	$84,069	$88,898	$62,497	$2.01	$1,736	35.01%
DEBT SERVICE											
Lancaster Pollard		0.00%	$0	$0.00	$0	$58,890	$62,913	$0	$0.00	$0	0.00%
TDHCA - HOME Funds		26.01%	$1,290	$1.49	46,435	14,494	14,494	46,435	$1.50	$1,290	26.01%
Additional Financing		0.00%	$0	$0.00	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW		8.19%	$406	$0.47	$14,623	$10,684	$11,491	$16,062	$0.52	$446	9.00%
AGGREGATE DEBT COVERAGE RATIO					1.31	1.15	1.15	1.35			
RECOMMENDED DEBT COVERAGE RATIO							1.15	1.35			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	TDHCA	APPLICANT	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.31%	$1,444	$1.67	$52,000	$52,000	$52,000	$52,000	$1.67	$1,444	1.28%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		8.18%	9,000	10.43	324,000	324,000	324,000	324,000	10.43	9,000	7.97%
Direct Construction		50.15%	55,149	63.92	1,985,374	2,060,496	2,124,645	2,060,211	66.33	57,228	50.66%
Contingency	5.00%	2.92%	3,207	3.72	115,469	119,225	122,432	119,211	3.84	3,311	2.93%
Contractor's Fees	14.00%	8.17%	8,981	10.41	323,312	333,829	342,811	333,790	10.75	9,272	8.21%
Indirect Construction		8.47%	9,316	10.80	335,365	335,365	335,365	335,365	10.80	9,316	8.25%
Ineligible Costs		1.21%	1,331	1.54	47,900	86,088	86,088	47,900	1.54	1,331	1.18%
Developer's Fees	20.00%	15.96%	17,547	20.34	631,704	671,945	694,850	649,515	20.91	18,042	15.97%
Interim Financing		1.89%	2,083	2.41	75,000	186,812	186,812	75,000	2.41	2,083	1.84%
Reserves		1.75%	1,920	2.23	69,121	70,000	70,000	70,000	2.25	1,944	1.72%
TOTAL COST		100.00%	$109,979	$127.47	$3,959,246	$4,239,760	$4,339,003	$4,066,991	$130.94	$112,972	100.00%
Construction Cost Recap		*69.41%*	***$76,338***	***$88.48***	***$2,748,156***	***$2,837,550***	***$2,913,888***	***$2,837,211***	***$91.35***	***$78,811***	*69.76%*

SOURCES OF FUNDS

									RECOMMENDED	
Lancaster Pollard	0.00%	$0	$0.00	$0	$1,031,878	$1,031,878	$0	$0	Developer Fee Available
TDHCA - HOME Funds	30.91%	$34,000	$39.41	1,223,992	225,000	225,000	1,223,992	1,223,992	$649,515
HTC Syndication Proceeds	67.76%	$74,520	$86.37	2,682,718	2,922,124	2,922,124	2,682,718	2,682,445	% of Dev. Fee Deferred
Deferred Developer Fees	4.05%	$4,452	$5.16	160,280	160,000	160,000	160,280	160,554	25%
Additional (Excess) Funds Req'd	-2.72%	($2,993)	($3.47)	(107,744)	(99,242)	1	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$3,959,246	$4,239,760	$4,339,003	$4,066,991	$4,066,991	$311,966

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177 -- ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$67.74	$2,103,880
Adjustments				
Exterior Wall Finish	3.50%		$2.37	$73,636
Elderly	6.00%		4.06	126,233
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(57,461)
Floor Cover			3.08	95,665
Breezeways/Balconies	$20.33	8,574	5.61	174,309
Plumbing Fixtures	$965	(36)	(1.12)	(34,740)
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	36	2.81	87,300
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	75,476
Garages/Carports	$12.38	7,200	2.87	89,136
Comm &/or Aux Bldgs	$86.08	884	2.45	76,095
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			90.45	2,809,529
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(11.76)	(365,239)
TOTAL DIRECT CONSTRUCTION COSTS			$78.70	$2,444,290
Plans, specs, survy, bld prm	3.90%		($3.07)	($95,327)
Interim Construction Interest	3.38%		(2.66)	(82,495)
Contractor's OH & Profit	11.50%		(9.05)	(281,093)
NET DIRECT CONSTRUCTION COSTS			$63.92	$1,985,374

PAYMENT COMPUTATION

Primary	$0	Amort	480
Int Rate	4.39%	DCR	#DIV/0!

Secondary	$1,223,992	Amort	480
Int Rate	2.25%	Subtotal DCR	1.31

Additional	$2,682,718	Amort	
Int Rate		Aggregate DCR	1.31

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

Primary Debt Service	$0
Secondary Debt Service	46,435
Additional Debt Service	0
NET CASH FLOW	$16,062

Primary	$0	Amort	480
Int Rate	4.39%	DCR	#DIV/0!

Secondary	$1,223,992	Amort	480
Int Rate	2.25%	Subtotal DCR	1.35

Additional	$2,682,718	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	$190,824	$196,549	$202,445	$208,519	$214,774	$248,982	$288,638	$334,611	$449,689
Secondary Income	2,160	2,225	2,292	2,360	2,431	2,818	3,267	3,788	5,090
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	192,984	198,774	204,737	210,879	217,205	251,800	291,906	338,399	454,779
Vacancy & Collection Loss	(14,474)	(14,908)	(15,355)	(15,816)	(16,290)	(18,885)	(21,893)	(25,380)	(34,108)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$178,510	$183,866	$189,381	$195,063	$200,915	$232,915	$270,013	$313,019	$420,671
EXPENSES at 4.00%									
General & Administrative	$10,654	$11,080	$11,523	$11,984	$12,464	$15,164	$18,449	$22,446	$33,226
Management	10,581	10,898	11,225	11,562	11,909	13,806	16,005	18,554	24,935
Payroll & Payroll Tax	25,535	26,556	27,619	28,723	29,872	36,344	44,218	53,798	79,635
Repairs & Maintenance	15,427	16,044	16,686	17,353	18,047	21,957	26,715	32,502	48,111
Utilities	5,586	5,809	6,042	6,283	6,535	7,951	9,673	11,769	17,421
Water, Sewer & Trash	5,035	5,236	5,446	5,664	5,890	7,166	8,719	10,608	15,702
Insurance	10,714	11,143	11,588	12,052	12,534	15,249	18,553	22,573	33,413
Property Tax	17,011	17,691	18,399	19,135	19,900	24,212	29,458	35,840	53,051
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	6,470	6,729	6,998	7,278	7,569	9,209	11,204	13,631	20,178
TOTAL EXPENSES	$116,013	$120,548	$125,261	$130,159	$135,250	$163,868	$198,579	$240,683	$353,741
NET OPERATING INCOME	$62,497	$63,318	$64,121	$64,904	$65,665	$69,047	$71,434	$72,335	$66,930
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien	46,435	46,435	46,435	46,435	46,435	46,435	46,435	46,435	46,435
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$16,062	$16,883	$17,686	$18,469	$19,231	$22,612	$24,999	$25,901	$20,496
DEBT COVERAGE RATIO	1.35	1.36	1.38	1.40	1.41	1.49	1.54	1.56	1.44

HTC ALLOCATION ANALYSIS -Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177 -- ADDENDUM

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$52,000	$52,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$324,000	$324,000	$324,000	$324,000
Construction Hard Costs	$2,060,211	$1,985,374	$2,060,211	$1,985,374
Contractor Fees	$333,790	$323,312	$333,790	$323,312
Contingencies	$119,211	$115,469	$119,211	$115,469
Eligible Indirect Fees	$335,365	$335,365	$335,365	$335,365
Eligible Financing Fees	$75,000	$75,000	$75,000	$75,000
All Ineligible Costs	$47,900	$47,900		
Developer Fees				
Developer Fees	$649,515	$631,704	$649,515	$631,704
Development Reserves	$70,000	$69,121		
TOTAL DEVELOPMENT COSTS	$4,066,991	$3,959,246	$3,897,091	$3,790,225

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		$3,897,091	$3,790,225
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$3,897,091	$3,790,225
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$3,897,091	$3,790,225
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$333,201	$324,064
Syndication Proceeds	**0.8394**	**$2,796,944**	**$2,720,246**

Total Tax Credits (Eligible Basis Method)	**$333,201**	**$324,064**
Syndication Proceeds	**$2,796,944**	**$2,720,246**
NEW Requested Tax Credits	**$319,561**	
Syndication Proceeds	**$2,682,445**	
Gap of Syndication Proceeds Needed	**$2,842,999**	
Total Tax Credits (Gap Method)	**$338,688**	
Board Approved Allocation	**$339,782**	
Syndication Proceeds	**$2,852,183**	

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

REPORT DATE: 06/15/07 PROGRAM: 9%HTC/HOME FILE NUMBER: 07177

DEVELOPMENT

Hamilton Senior Village

Location: Williams Street, 11 acres at Hamilton city limits Region: 8

City: Hamilton County: Hamilton Zip: 76531 ☐ QCT ☐ DDA

Key Attributes: Elderly, Rural, New Construction, USDA Allocation and Multifamily

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest***	**Amort/Term**
HOME Activity Funds	$225,000	5.00%	30/30	**$225,000**	**5.00%**	**30/30**
Housing Tax Credit (Annual)	$339,782			**$339,782**		

* The HOME loan interest rate must equal to or be greater than AFR and should be interest only during construction

CONDITIONS

1 Receipt, review and acceptance of documentation that all 11 acres are dedicated for use by the development and its residents or a reduction in the acquisition cost and potential reduction in credits due to a reduced gap of funds needed.

2 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
60% of AMI	60% of AMI	32
TDHCA SET-ASIDES for HOME LURA		
50% of AMI	Low HOME	4
60% of AMI	High HOME	2

PROS

- This is the first new construction tax credit transaction to be completed in the City of Hamilton.
- At the proposed rents, the HOME debt could be sourced from additional conventional debt or a developer fee note if needed.

CONS

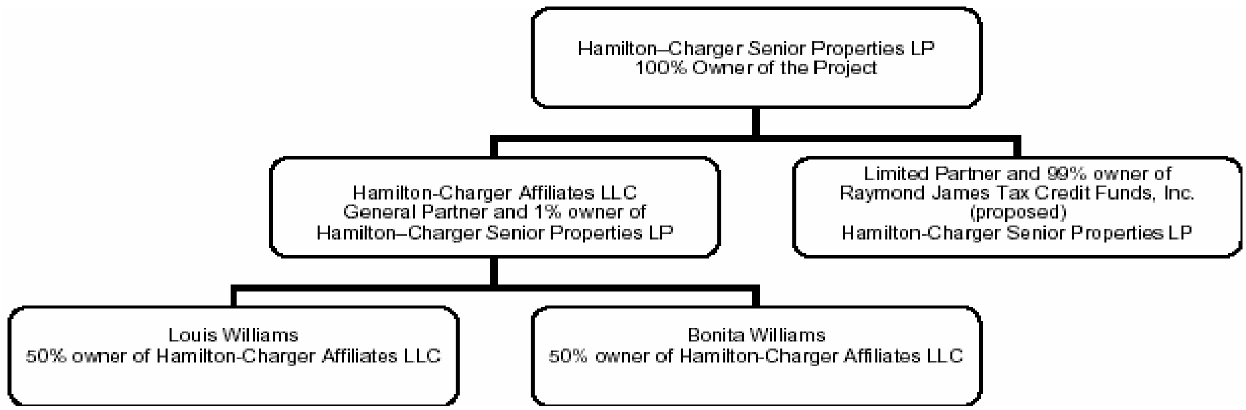
- The number of 2 bedroom units targeting 60% units may be more than needed based upon the unit capture rate calculated by the Market Analyst.
- The market study suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Bonita Williams Phone: (936) 560-5702 Fax: (936) 560-2636
Email: louisw@suddenlink.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Louis Williams & Asso., Inc.	$418,567.28	$280,646.28	5
Louis Williams	Confidential		5
Bonita Williams	Confidential		5

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.

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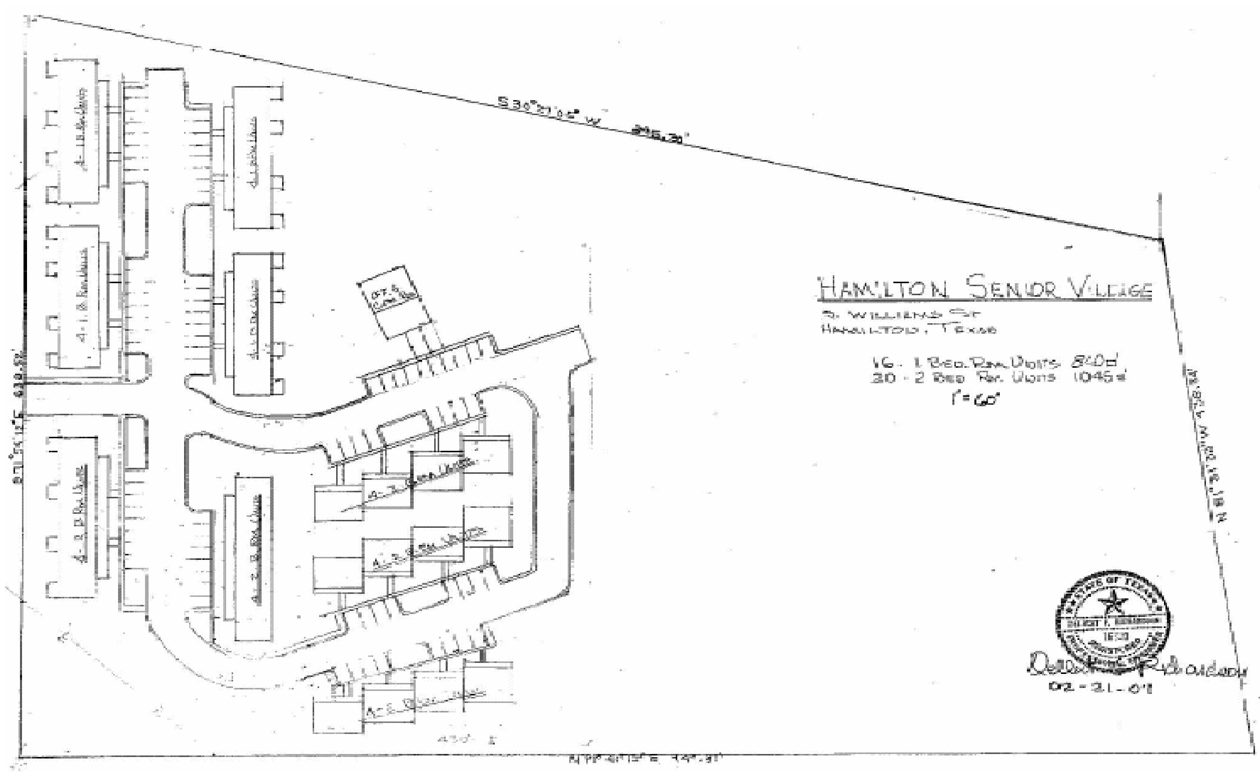
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	1BRM	2BRM	2BRMA								Total Buildings
Floors/Stories	1	1	1								
Number	4	2	3								**9**

BR/BA	SF	Units									Total Units	Total SF
1/1	840	4									16	13,440
2/1	1,045		4	4							20	20,900
Units per Building		4	4	4							**36**	**34,340**

SITE ISSUES

Total Size:	11.04 acres	Scattered site?	[ ] Yes	[x] No
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[x] No
Zoning:	No zoning	Needs to be re-zoned?	[ ] Yes	[ ] No [x] N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/27/2007

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North:	Elm Street and single family beyond	East:	vacant land
South:	agricultural land	West:	vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/23/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, Inc Date: 3/16/2007

Contact: Simon J. Luttman Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

The subject's primary market is defined as that area within Hamilton County.

Secondary Market Area (SMA):

A Secondary Market was not described.

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						
Hamilton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,750	$11,150	$12,550	$13,950	$15,050	$16,200
50	$16,300	$18,600	$20,950	$23,250	$25,100	$26,950
60	$19,560	$22,320	$25,140	$27,900	$30,120	$32,340

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
1BR/30% Rent Limit	10	0	0	10	4	0	41.7%
1BR/60% Rent Limit	22	0	0	22	12	0	54.4%
2BR/50% Rent Limit	10	0	0	10	2	0	19.8%
2BR/60% Rent Limit	9	0	0	9	18	0	196.0%

OVERALL DEMAND											
		Target Households		Household Size		Income Eligible	Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst p. 69	45%	1,516	100%	1,516	included in Tenure %	7%	111	60%	66		
Underwriter	45%	1,523	100%	1,523	included in Tenure %	30%	108	60%	65		
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst p. 69			100%	13	included in Tenure %	7%	1	100%	1		
Underwriter			100%	7	included in Tenure %	30%	1	100%	1		

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. 70	36	0	0	36	36	53.73%
Underwriter	36	0	0	36	66	54.91%

Primary Market Occupancy Rates:

The only tax credit project in Hamilton; namely, Hamilton Manor Apartments, was just rehabilitated, with completion in December 2006, and is now 89% occupied. There are only two vacant units. The HUD complexes total 38 units, and have a wait list, although there is one vacant unit which is currently in turnover. This equates to a physical occupancy of 97%. Typically, HTC projects in the Central Texas region have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within 12 months of completion. Pre-leasing should begin prior to completion of the construction. (p. 39)

Absorption Projections:

The absorption rates of newly-constructed projects near the primary market area appears very favorable. Based on our research, most projects that are constructed in the Central Texas area typically lease up within 6 to 12 months. Pre-leasing should commence prior to the completion of the construction. (p. 37)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 840 SF (30%)	$223	$223	$650	$223	$427
1 BR 840 SF (60%)	$484	$485	$650	$485	$165
2 BR 1,045 SF (HH)	$476	$497	$725	$497	$228
2 BR 1,045 SF (60%)	$580	$581	$725	$581	$144

Market Impact:

With respect to affordable housing projects, due to the overall lack of recently-constructed affordable housing projects in the subject's primary market area, and based on the performance of the current low income housing projects, it appears as though there is a pent-up demand in the subject's primary market area. (p. 42)

Comments:

The Underwriter found the Market Study provided sufficient information upon 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 rents collected per unit for the purely tax credit units were calculated by subtracting tenant-paid utility allowances, maintained by the Hamilton Housing Authority, from the 2007 program gross rent limits. However, it appears that the Applicant may not have had access to the 2007 HOME rent limits resulting in a slight difference in rents collected for the two-bedroom units restricted at the High HOME level. Tenants will be required to pay for electricity.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. It should be noted, the Applicant has made no indication that the proposed carports will be rented for a fee; therefore, it is assumed that each unit's rent includes any cost for use of a carport. Overall, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant’s total annual operating expense projection at $3,165 per unit is just within 5% of the Underwriter’s estimate of $3,321, derived from the TDHCA database and other third party sources. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly: repairs and maintenance ($6K lower), taxes ($2K lower), and insurance ($5K higher).

Conclusion:

The Applicant’s estimated income is consistent with the Underwriter’s expectations; however, total operating expenses and the Applicant’s net operating income (NOI) estimate are not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI should be used to evaluate debt service capacity. Both the Applicant and Underwriter’s income and expense estimates provide sufficient net operating income to service the proposed first lien permanent mortgage as well as the requested TDHCA HOME Loan at a debt coverage ratio that is within the TDHCA underwriting guidelines 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 a positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISTION INFORMATION

ASSESSED VALUE

Land Only:	11.04 acres	$33,110	Tax Year:	2006
Existing Buildings:		$0	Valuation by:	Hamilton CAD
Total Assessed Value:		$33,110	Tax Rate:	2.2718

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 11.04

Contract Expiration: 11/1/2007 Valid Through Board Date? [X] Yes [ ] No

Acquistion Cost: $52,000 Other:

Seller: Martin Wenzel Related to Development Team? [ ] Yes [X] No

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of $4,710 per acre is assumed to be reasonable since the acquisition is an arm's-length transaction. However, it appears that the Applicant plans to use approximately half of the acreage to be purchased. The Applicant confirmed the entire 11 acres will be included in the LURA and dedicated for use by the development and its tenants. If the Applicant were to subsequently request a release of the excess acreage for a second phase or for an alternate use, this development would have been over funded and a reduction in credits could be possible.

Sitework Cost:

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

Direct Construction Cost:

The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $38,188 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

As a direct result of the adjustment to eligible interim interest expense, the Applicant's developer's fee exceeds the TDHCA maximum guideline. The Applicant's eligible basis was adjusted down by $7,638 to account for this overage.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule adjsuted for overstated eligible costs will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $4,123,277 supports annual tax credits of $352,540. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Lancaster Pollard Mortgage Company Type: **Interim to Permanent Financing**

Principal: $1,031,878 Interest Rate: 4.9% [x] Fixed Term: 480 months

Comments:

LPMC will provide a Rural Development Section 538 Guaranteed Loan with an interest subsidy bringing the interest rate for up to $1,500,000 down to the AFR. The interest rate will be based off of the Long Term Monthly Applicable Federal Rate plus an annual servicing fee and is estimated to be 7.35% before the subsidy. 24-month interim period with interest-only payments

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Source: Raymond James Tax Credit Funds, Inc. Type: **Syndication**

Proceeds: $2,922,137 Syndication Rate: 86% Anticipated HTC: $ 339,782

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

Amount: $160,000 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

As stated above, the Underwriter's proforma indicates the development can support both the proposed permanent financing through LancasterPollard Mortgage Company and the requested HOME loan in the amount of $225,000 at an interest rate of 5%, fully amortizing over a term of 30 years. Should the development qualify for a HOME allocation, the requested amount and terms are recommended.

The Applicant’s total development cost estimate less the permanent loan of $1,031,878 and the HOME loan of $225,000 indicates the need for $3,082,125 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $358,421 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s request ($339,782), the gap-driven amount ($358,421), and eligible basis-derived estimate ($352,540), the Applicant’s request for $339,782 is recommended.

The Underwriter’s recommended financing structure indicates the need for $160,280 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation. Should the development fail to receive the HOME allocation, deferred fees would increase to $385,280. This amount would be repayable within 15 years of stabilized operation because additional cashflow would result without the required HOME debt service.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on deferred developer fee based upon first year income is a modest 7.8%. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financning structure.

Underwriter: *Carl Hoover* Date: June 15, 2007

Reviewing Underwriter: *Lisa Vecchietti* Date: June 15, 2007

Director of Real Estate Analysis: *Tom Gouris* Date: June 15, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

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%<LH	4	1	1	840	$261	$223	$892	$0.27	$38.00	$48.50
TC 60%	12	1	1	840	$523	485	5,820	0.58	38.00	48.50
TC 60%>HH	2	2	1	1,045	$544	497	994	0.48	47.00	54.30
TC 60%	18	2	1	1,045	$628	581	10,458	0.56	47.00	54.30
TOTAL:	36		AVERAGE:	954		$505	$18,164	$0.53	$43.00	$51.72

INCOME	Total Net Rentable Sq Ft:	34,340		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$217,968	$217,104	Hamilton		8
Secondary Income		Per Unit Per Month:	$5.00	2,160	2,160	$5.00	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$220,128	$219,264			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(16,510)	(16,440)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$203,618	$202,824			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.03%	$285	0.30	$10,244	$10,250	$0.30	$285	5.05%
Management	5.00%	283	0.30	10,174	10,141	0.30	282	5.00%
Payroll & Payroll Tax	14.66%	829	0.87	29,841	27,500	0.80	764	13.56%
Repairs & Maintenance	7.29%	412	0.43	14,834	9,200	0.27	256	4.54%
Utilities	2.28%	129	0.14	4,644	4,194	0.12	117	2.07%
Water, Sewer, & Trash	2.74%	155	0.16	5,586	5,014	0.15	139	2.47%
Property Insurance	5.06%	286	0.30	10,302	15,500	0.45	431	7.64%
Property Tax 2.2718	8.03%	454	0.48	16,357	14,000	0.41	389	6.90%
Reserve for Replacements	4.42%	250	0.26	9,000	9,000	0.26	250	4.44%
TDHCA Compliance Fees	0.71%	40	0.04	1,440	2,000	0.06	56	0.99%
Other: Supp. Serv.	3.50%	198	0.21	7,127	7,127	0.21	198	3.51%
TOTAL EXPENSES	58.71%	$3,321	$3.48	$119,549	$113,926	$3.32	$3,165	56.17%
NET OPERATING INC	41.29%	$2,335	$2.45	$84,069	$88,898	$2.59	$2,469	43.83%
DEBT SERVICE								
Lancaster Pollard	28.92%	$1,636	$1.71	$58,890	$62,913	$1.83	$1,748	31.02%
TDHCA - HOME Funds	7.12%	$403	$0.42	14,494	14,494	$0.42	$403	7.15%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	5.25%	$297	$0.31	$10,684	$11,491	$0.33	$319	5.67%
AGGREGATE DEBT COVERAGE RATIO				1.15	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.23%	$1,444	$1.51	$52,000	$52,000	$1.51	$1,444	1.20%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.64%	9,000	9.44	324,000	324,000	9.44	9,000	7.47%
Direct Construction		48.60%	57,236	60.00	2,060,496	2,124,645	61.87	59,018	48.97%
Contingency	5.00%	2.81%	3,312	3.47	119,225	122,432	3.57	3,401	2.82%
Contractor's Fees	14.00%	7.87%	9,273	9.72	333,829	342,811	9.98	9,523	7.90%
Indirect Construction		7.91%	9,316	9.77	335,365	335,365	9.77	9,316	7.73%
Ineligible Costs		2.03%	2,391	2.51	86,088	86,088	2.51	2,391	1.98%
Developer's Fees	20.00%	15.85%	18,665	19.57	671,945	694,850	20.23	19,301	16.01%
Interim Financing		4.41%	5,189	5.44	186,812	186,812	5.44	5,189	4.31%
Reserves		1.65%	1,944	2.04	70,000	70,000	2.04	1,944	1.61%
TOTAL COST		100.00%	$117,771	$123.46	$4,239,760	$4,339,003	$126.35	$120,528	100.00%
Construction Cost Recap		*66.93%*	***$78,821***	***$82.63***	***$2,837,550***	***$2,913,888***	***$84.85***	***$80,941***	*67.16%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard	24.34%	$28,663	$30.05	$1,031,878	$1,031,878	$1,031,878	Developer Fee Available
TDHCA - HOME Funds	5.31%	$6,250	$6.55	225,000	225,000	225,000	$687,213
HTC Syndication Proceeds	68.92%	$81,170	$85.09	2,922,124	2,922,124	2,921,845	% of Dev. Fee Deferred
Deferred Developer Fees	3.77%	$4,444	$4.66	160,000	160,000	160,280	23%
Additional (Excess) Funds Req'd	-2.34%	($2,757)	($2.89)	(99,242)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$4,239,760	$4,339,003	$4,339,003	$299,893

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$65.42	$2,246,682
Adjustments				
Exterior Wall Finish	3.50%		$2.29	$78,634
Elderly	6.00%		3.93	134,801
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(63,529)
Floor Cover			3.08	105,767
Breezeways/Balconies	$20.33	9,174	5.43	186,507
Plumbing Fixtures	$965	(36)	(1.01)	(34,740)
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	36	2.54	87,300
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	83,446
Garages/Carports	$12.38	7,200	2.60	89,136
Comm &/or Aux Bldgs	$79.68	884	2.05	70,437
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			86.91	2,984,442
Current Cost Multiplier	0.98		(1.74)	(59,689)
Local Multiplier	0.87		(11.30)	(387,977)
TOTAL DIRECT CONSTRUCTION COSTS			$73.87	$2,536,775
Plans, specs, survy, bld prm	3.90%		($2.88)	($98,934)
Interim Construction Interes	3.38%		(2.49)	(85,616)
Contractor's OH & Profit	11.50%		(8.50)	(291,729)
NET DIRECT CONSTRUCTION COSTS			$60.00	$2,060,496

PAYMENT COMPUTATION

Primary	$1,031,878	Amort	480
Int Rate	4.90%	DCR	1.43

Secondary	$225,000	Amort	360
Int Rate	5.00%	Subtotal DCR	1.15

Additional	$2,922,124	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$58,890
Secondary Debt Service	14,494
Additional Debt Service	0
NET CASH FLOW	$10,684

Primary	$1,031,878	Amort	480
Int Rate	4.90%	DCR	1.43

Secondary	$225,000	Amort	360
Int Rate	5.00%	Subtotal DCR	1.15

Additional	$2,922,124	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

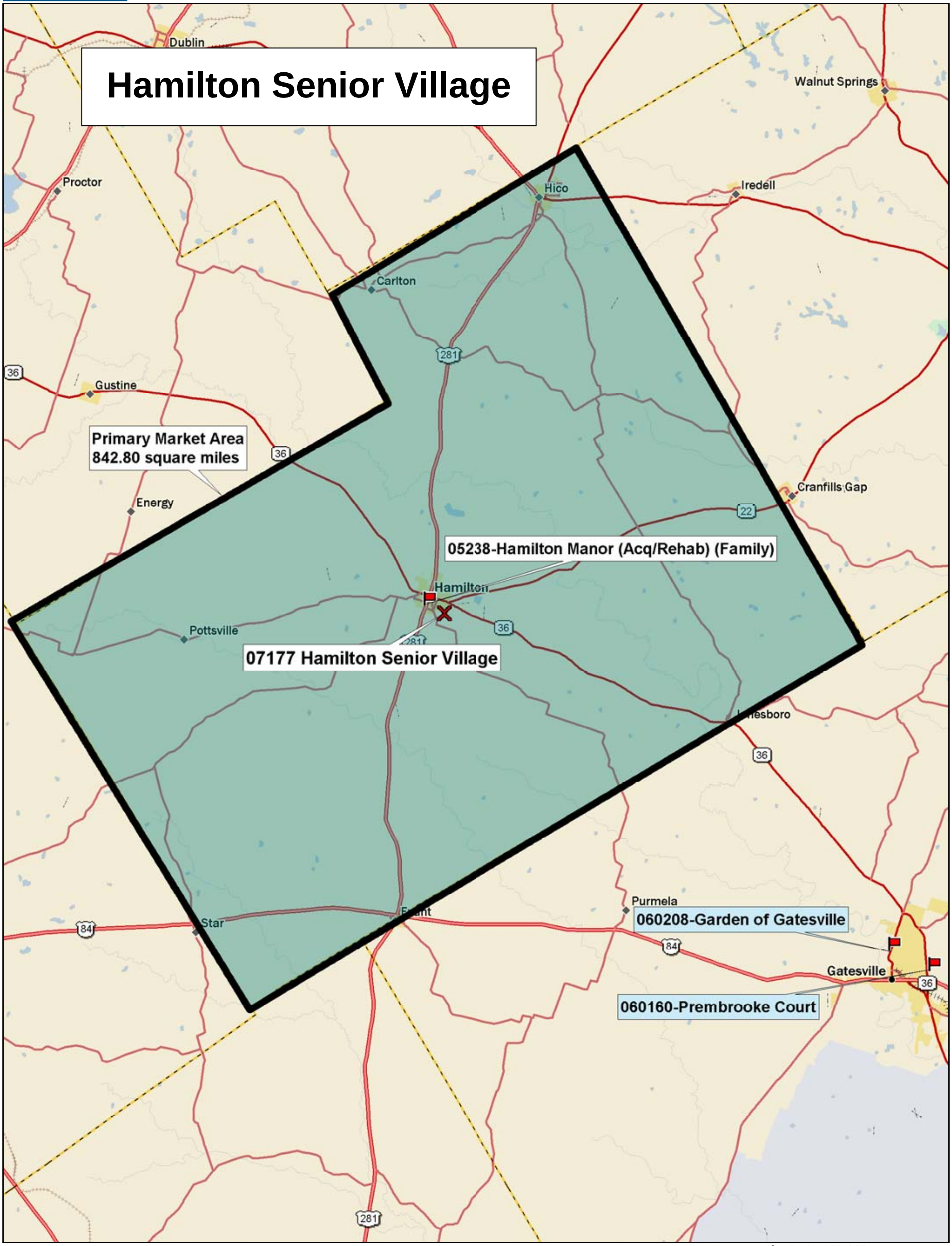
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$217,968	$224,507	$231,242	$238,180	$245,325	$284,399	$329,696	$382,208	$513,656
Secondary Income	2,160	2,225	2,292	2,360	2,431	2,818	3,267	3,788	5,090
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	220,128	226,732	233,534	240,540	247,756	287,217	332,963	385,996	518,746
Vacancy & Collection Loss	(16,510)	(17,005)	(17,515)	(18,040)	(18,582)	(21,541)	(24,972)	(28,950)	(38,906)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$203,618	$209,727	$216,019	$222,499	$229,174	$265,676	$307,991	$357,046	$479,840
EXPENSES at 4.00%									
General & Administrative	$10,244	$10,653	$11,079	$11,523	$11,984	$14,580	$17,739	$21,582	$31,946
Management	10,174	10,480	10,794	11,118	11,451	13,275	15,390	17,841	23,977
Payroll & Payroll Tax	29,841	31,035	32,276	33,567	34,910	42,473	51,675	62,871	93,064
Repairs & Maintenance	14,834	15,428	16,045	16,687	17,354	21,114	25,688	31,254	46,264
Utilities	4,644	4,830	5,023	5,224	5,433	6,610	8,042	9,784	14,483
Water, Sewer & Trash	5,586	5,809	6,042	6,283	6,535	7,951	9,673	11,769	17,421
Insurance	10,302	10,714	11,143	11,588	12,052	14,663	17,840	21,705	32,128
Property Tax	16,357	17,011	17,692	18,399	19,135	23,281	28,325	34,462	51,012
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	8,567	8,910	9,266	9,637	10,022	12,193	14,835	18,049	26,717
TOTAL EXPENSES	$119,549	$124,230	$129,094	$134,150	$139,405	$168,950	$204,792	$248,277	$365,079
NET OPERATING INCOME	$84,069	$85,497	$86,925	$88,349	$89,770	$96,726	$103,199	$108,769	$114,761
DEBT SERVICE									
First Lien Financing	$58,890	$58,890	$58,890	$58,890	$58,890	$58,890	$58,890	$58,890	$58,890
Second Lien	14,494	14,494	14,494	14,494	14,494	14,494	14,494	14,494	14,494
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$10,684	$12,113	$13,540	$14,965	$16,385	$23,341	$29,815	$35,384	$41,376
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.22	1.32	1.41	1.48	1.56

HTC ALLOCATION ANALYSIS -Hamilton Senior Village, Hamilton, 9%HTC/HOME #07177

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$52,000	$52,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$324,000	$324,000	$324,000	$324,000
Construction Hard Costs	$2,124,645	$2,060,496	$2,124,645	$2,060,496
Contractor Fees	$342,811	$333,829	$342,810	$333,829
Contingencies	$122,432	$119,225	$122,432	$119,225
Eligible Indirect Fees	$335,365	$335,365	$335,365	$335,365
Eligible Financing Fees	$186,812	$186,812	$186,812	$186,812
All Ineligible Costs	$86,088	$86,088		
Developer Fees			$687,213	
Developer Fees	$694,850	$671,945		$671,945
Development Reserves	$70,000	$70,000		
TOTAL DEVELOPMENT COSTS	$4,339,003	$4,239,760	$4,123,277	$4,031,672

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		$4,123,277	$4,031,672
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$4,123,277	$4,031,672
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$4,123,277	$4,031,672
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$352,540	$344,708
Syndication Proceeds	**0.8599**	**$3,031,555**	**$2,964,204**
Total Tax Credits (Eligible Basis Method)		**$352,540**	**$344,708**
Syndication Proceeds		**$3,031,555**	**$2,964,204**
Requested Tax Credits		**$339,782**	
Syndication Proceeds		**$2,921,845**	
Gap of Syndication Proceeds Needed		**$3,082,125**	
Total Tax Credits (Gap Method)		**$358,421**	

Hamilton Senior Village



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www.delorme.com

TN
MN (5.3°E)

Scale 1 : 400,000
1" = 6.31 mi
Data Zoom 9-0

07177

Louis Williams & Associates Inc.
410 County Road 198
Nacogdoches, TX 75965
936-560-5702
936-560-2636 fax
loulsw@suddenlink.net

May 8, 2008

Mr. Ben Sheppard
221 E. 11th Street
Austin, TX 78701

RE: Amendment Request for Hamilton Senior Village, TDHCA # 07177

Dear Mr. Sheppard,

Hamilton-Charger Properties LP respectfully requests an amendment for Hamilton Senior Village, TDHCA #07177. The following will identify all changes requested and provide an explanation of reasoning. All support documentation is included.

The requested amendment is as follows:

1. We request a change from twenty 2-bedroom units and 16 1-bedroom units to four 2-bedroom units and thirty-two 1-bedroom units. The floor plans for each unit size will remain the same as in the original application. No unit or development amenities will change.

2. We request a change from four units at 30% AMGI and 32 units at 60% AMGI to four units at 30% AMGI, fourteen units at 50% AMGI and eighteen units at 60% AMGI.

3. We request to terminate the USDA 538 Loan and request an additional $998,992.00 in TDHCA HOME funds for a total of $1,223,992.00 in HOME funds.

These changes will allow the development to capture more of the market in Hamilton and be a more viable development. The unit mix requested are in line with the markets indicated in the Market Study and reflect the actual demand we have experienced at Nacogdoches Senior Village (#060014). Nacogdoches Senior Village's 1 bedroom units rented in less than a week and we have a waiting list for them, the 2 bedroom units are about 75% full. This mirrors the Real Estate Analysis Division's original underwriting report for this development dated 06/15/2007 that states the number of 2 bedroom units targeting 60% AMGI is more than needed. Reducing those units from twenty units to four units will address this concern.

Enclosed is a check for $2500.00 for the amendment request.
In addition the following documents are attached:
Financing Participants, Development Cost Schedule, Rent Schedule, Utility Allowance
Statement of Annual Expenses & 30 year operating pro-forma
Building/unit type/configuration, Offsite costs breakdown, Site Work Costs
Unit Plans & Original Underwriting Report

Sincerely,

Louis Williams

08145
Oasis at the Park

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Oasis at the Park - 08145

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

In the Application submitted on February 29, 2008, the Applicant requested points pursuant to §50.9(i)(15) of the 2008 QAP, Economic Development Initiative Points. The Applicant selected option "A" for the points, which has the requirement that the Development be located in:

> **(A) a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community.** To be eligible for these points, Applicants must submit a letter and a map from a city/county official stating that the proposed Development is located within such a designated zone or area; is eligible to receive the state or federal economic development grants or loans; and the city/county still has available funds. The letter should be no older than 6 months from the first day of the Application Acceptance Period. (VII, Rider 6; §2306.127); or...

The Applicant submitted documentation of a Texas Department of Transportation grant received by the Regional Transportation Authority (RTA). The letter from the RTA included a map of an area called the "Texas Renewal Community Livable Communities Initiative." A Deficiency Notice issued on April 28, 2008 informed the Applicant that the rules require a letter from a city or county official stating that the development is in one of the areas specifically named in the rule.

The Application is ineligible for this point item because the Applicant has not submitted evidence that the area is "a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community," as required by the QAP.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	TX LULAC Oasis at the Park Housing, L.P.
Site Location:	420 N. Port
City/County:	Corpus Christi/Nueces
Regional Allocation Category:	Urban
Set Aside	Non Profit
Population Served:	General
Region:	10
Type of Development:	Adaptive Reuse
Units:	80
Credits Requested:	$292,131

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08145
Executive Director
Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 3, 2008

Mr. David Marquez
TX LULAC Oasis at the Park Housing, L.P.
222 E. Houston Street, Suite 620
San Antonio, Texas 78205
Telephone: (210) 228-0560
Facsimile: (210) 228-0566

Re: Appeal Received for Oasis at the Park, TDHCA #08145

Dear Mr. Marquez:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the point loss under §50.9(i)(15), Economic Development Initiatives, of the 2008 Qualified Allocation Plan and Rules ("QAP").

Economic Development Initiative Points may be awarded to an Application if all requirements of §50.9(i)(15) of the 2008 QAP are fulfilled, **including the requirement that the Development be located in one of the following two areas:**

> **(A) a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community.** To be eligible for these points, Applicants must submit a letter and a map from a city/county official stating that the proposed Development is located within such a designated zone or area; is eligible to receive the state or federal economic development grants or loans; and the city/county still has available funds. The letter should be no older than 6 months from the first day of the Application Acceptance Period. (VII, Rider 6; §2306.127); or
> (B) an area that has received an award as of November 1, 2007, within the past three years from the Texas Capital Fund, Texas or Federal Enterprise Zone Fund, Texas Leverage Fund, Industrial Revenue Bond Program, Emerging Technologies, Skills Development, Rural Business Enterprise Grants, Certified Development Company Loans, or Micro Loan Program. Grants that qualify in these areas are included in the Application Reference Manual.

In your February 29, 2008 Application, you selected choice "A" and submitted documentation of a Texas Department of Transportation grant received by the Regional Transportation Authority (RTA). The letter from the RTA included a map of an area called the "Texas Renewal community Livable Communities Initiative."

The letter is ineligible for this point item because you have not submitted evidence that the area is "a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community," as required by the QAP; therefore the four (4) points were not awarded.

Appeal Determination

Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

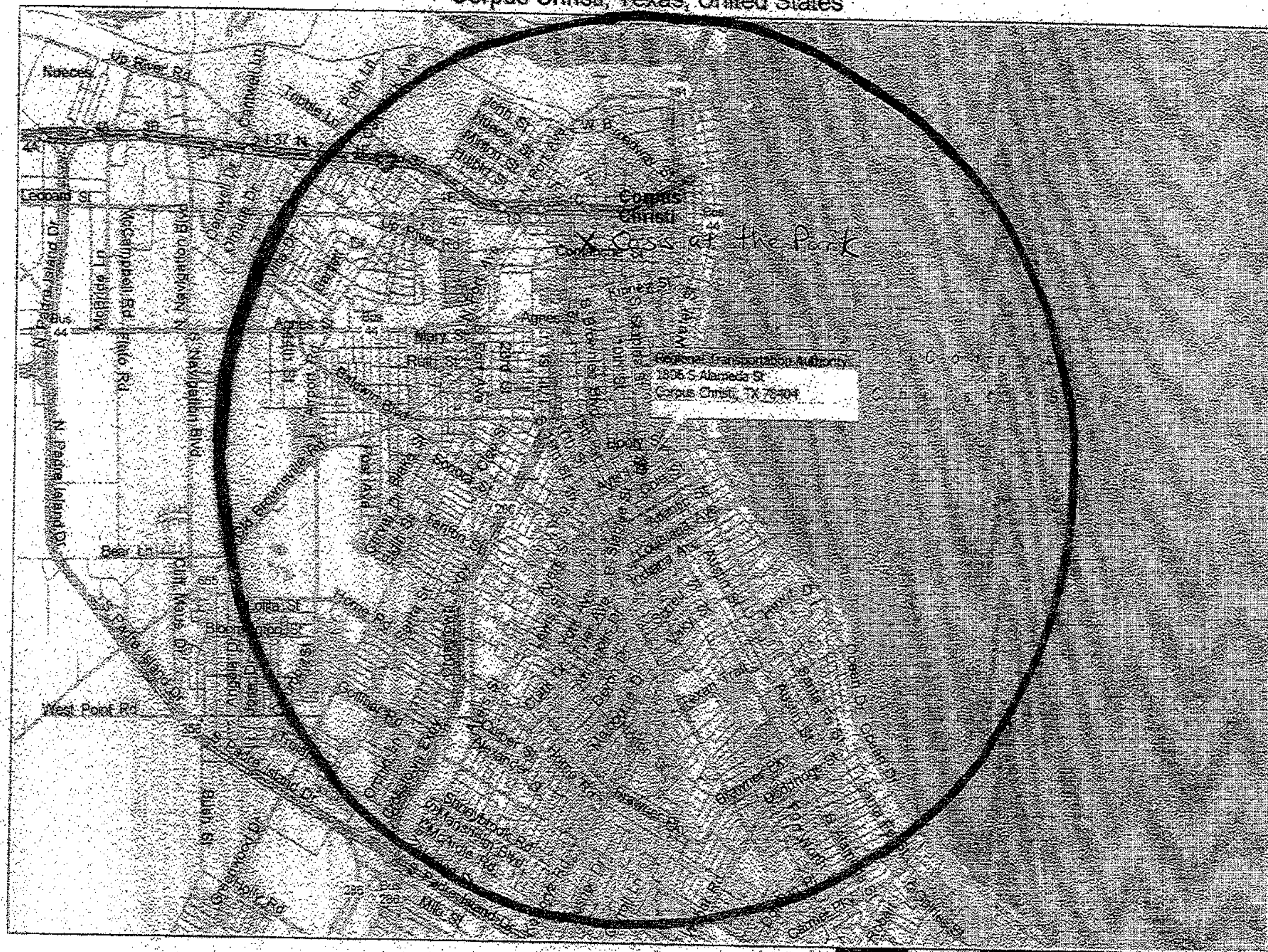
08145
Appeal
Documentation

Oasis at the Park
TDHCA #08145
Appeal Request

We would like to appeal the requested points and the points awarded for the Economic Development Initiatives. The Regional Transportation Authority is a political body and has a board appointed by City and County elected officials.

We are appealing because we feel the political body and its members qualify under the QAP. We will also include a letter, before the June 19 deadline, from a County or City official, which will include there is funding available for this project. Attached is a map showing that the project is within the zone/area, as requested in the QAP and the ASPM.

Corpus Christi, Texas, United States



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Regional Transportation Authority

February 26, 2008

TX LULAC Oasis at the Park Housing, LP
ATTN: Henry Gorham
1417 Horne Road
Corpus Christi, Texas 78416

RE: Oasis at the Park - TDHCA #08145

Dear Mr. Gorham:

I am pleased to submit a letter and boundary map of the Texas Renewal Community, Livable Communities Initiatives; this project runs along the Alameda and Staples Street Corridor, encompassing a 3-mile radius.

It is my understanding that this information is needed for your application to the Texas Department of Housing and Community Affairs for Housing Tax Credits to build an 80-unit apartment community. This zone includes the property known as 420 N. Port Ave., Corpus Christi, Nueces County, Texas 78408.

The Alameda and Staples Streets Bridge Improvement Project, which is part of the Texas Department of Transportation for LCI Phase II Project, was passed by the Regional Transportation Authority board on July 11, 2001 in the amount of $1,875,000. This is an ongoing project, and will be completed by the end of this year. I have included some information related to the specifics of the project.

I am also enclosing a map indicating the boundaries of the zone which includes the subject property.

If you have any questions, please do not hesitate to contact me at 361-289-2712.

Sincerely,

Ricardo A. Sánchez
General Manager

(361) 289-2712 • 5658 Bear Lane • Corpus Christi, Texas 78405 • Fax (361) 289-0605
The B Customer Center • (361) 883-2287 • 1806 S. Alameda • Corpus Christi, Texas 78404 • Fax (361) 883-9938

Regional Transportation Authority

2008 BOARD OF DIRECTORS

Crystal Lyons, Board Chair
13901 Cabana North
Corpus Christi, Texas 78418
(361) 289-2712

Mannti C. Cummins
P.O. Box 1122
Corpus Christi, Texas 78403
(361) 443-5713
City Appointee: 08/02/06 –6/30/08

Anna M. Flores, Board Vice Chair
P.O. Box 10807
Corpus Christi, Texas 78460-0807
(361) 241-4535
County Appointee: 10/8/03 –9/18/09
implanners@sbcglobal.net

John Longoria
P. O. Box 5802
Corpus Christi, Texas 78465
(361) 289-2712
City Appointee: 07/07/04 – 06/30/08

David Martinez
222 Power St
Corpus Christi, Texas 78401
(361) 882-1773
County Appointee: 10/8/03 – 9/18/09

Dr. Maurice G. Portis, Board Secretary
4805 Goldeneye
Corpus Christi, Texas 78413
(361) 991-7278
City Appointee: 08/02/06 –6/30/08

Ricardo Ramon
904 Industrial
Robstown, Texas 78380
(361) 387-2795
Mayors Com. Appointee: 10/03/07 – 09/19/09

Mike Rendon
P. O. Box 1837
Corpus Christi, Texas 78403
(361) 882-1222
County Appointee: 10/03/07 – 09/18/09*

Sara Salvide
P. O. Box 7806
Corpus Christi, Texas 78467
Mayors Com. Appointee: 10/05/05 – 09/19/09

Judy Telge
1537 Seventh Street
Corpus Christi, Texs 78404
(361) 883-8461
City Appointee 11/07/07 – 06/30/08

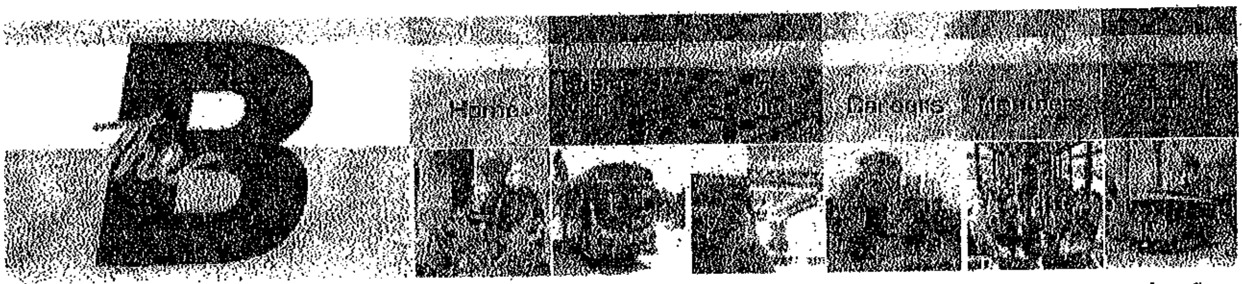
John Valls
222 Power Street
Corpus Christi Texas 78401
City Appointee: 11/02/05 –6/30/08
jvalls@pocca.com

Rolando G. Barrera / Advisory Member
P.O. Box 71832
Corpus Christi, Texas 78467
(361) 299-7373

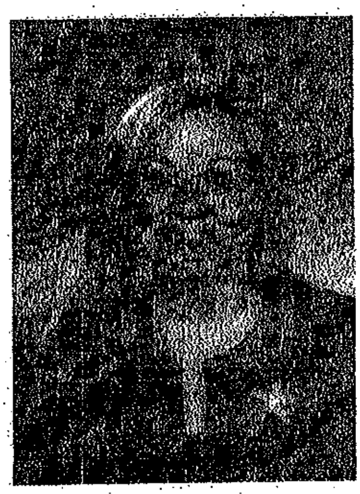
Ricardo Sanchez, General Manager
5658 Bear Lane
Corpus Christi, Texas 78405
(361) 289-2712

*Additionally served 51/2 years from 1/5/00 – 10/2/05

Revised 02/26/08



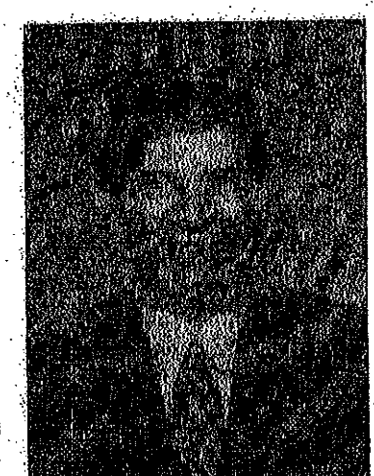
Corpus Christi Regional Transportation Authority - Board of Directors



Crystal Lyons, RTA Board Chairman

City of Corpus Christi Appointees

Mannti Cummins, Administrations Committee Chair



John Longoria

Dr. Maurice Portis, Secretary

Judy Telge
(Transportation Disadvantaged
Representative)

John Valls, Operations Committee Chair

Nueces County Appointees

Anna Flores, Board Vice
Chairman

David Martinez

Mike Rendon

Small City Mayors' Committee Appointees

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08145, Oasis at the Park

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☑ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed [signature]

Title Contact

Date 5/22/08.

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08145 Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

TX LULAC Oasis at the Park Housing, L.P.
David Marquez
222 E. Houston St., Ste. 620
San Antonio, TX 78205
Phone #: (210) 228-0560
Fax #: (210) 228-0566
Email: cdmarquez@sbcglobal.net

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: elgorham@msn.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Oasis at the Park, TDHCA Number: 08145

Attention: David Marquez

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☑ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	173
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	173
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	165
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	8
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	6
Final Score Awarded to Application by Department:	**197**

Page 2 of Final Scoring Notice: 08145, Oasis at the Park

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

§50.9(i)(15) – Economic Development Initiatives: In a Deficiency Notice dated April 28, 2008, you were notified that your Application does not qualify for these points because the letter you submitted is not from a city or county official. Further, the letter did not state whether this Development is eligible for the funds. (4 points requested, 0 points awarded)

§50.9(i)(16) – Development Location: In a Deficiency Notice dated April 28, 2008, you were notified that your Application does not qualify for these points because you selected option "B," Texas Department of Agriculture Award, and you did not submit evidence that Nueces County has received such an award (Points Requested: 4, Points Awarded: 0)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

Appeal Election Form: 08145, Oasis at the Park

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ____________________________

Title ____________________________

Date ____________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08182
Suncrest Apartments

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Suncrest Apartments - 08182

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

Points for Leveraging of Private, State, and Federal Resources may be awarded to an Application if all requirements of §50.9(i)(27) are fulfilled, including the requirements that the proposed Development has received or will receive loan(s), grant(s) or in-kind contributions from a private, state or federal resource, and the funding must be in addition to the primary funding (construction and permanent loans) and cannot be issued from the same primary funding source or an affiliated source.

In response to a March 25, 2008 Deficiency Notice informing them that the original source of funds submitted was not eligible for points under this item, the Applicant submitted HUD 236 Interest Reduction Payment funds (IRP) as a substitute source. In their response to the Deficiency Notice, the Applicant also submitted an updated *Summary Sources and Uses of Funds* form and a Financing Narrative. The narrative states, "A conventional 1st mortgage loan from PNC Multifamily Capital in the amount of $3,064,600 will provide roughly 38% of the financing for the project... This loan will be separated into two parts. The first part is supported by Net Operating Income from the property. This part is sized at $2,649,000... The second part of the loan is sized at $415,000. This second part of the loan relies on the Interest Reduction Payment component of the HUD 236 loan to provide the payments."

In their appeal, the Applicant asserts that these funds meet the QAP requirement because the funds result from an application to HUD for a Regulatory Agreement and for continuation of the IRP. The HUD 236 Interest Reduction Payment funds are ineligible because they are part of the conventional 1st mortgage loan from PNC Multifamily Capital and are not in addition to the primary funding (construction and permanent loans), and the funds are issued from the same primary funding source.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Park Ridge, Ltd.
Site Location:	SE Corner Legend Hills Blvd & RM 152
City/County:	Llano/Llano
Regional Allocation Category:	Rural
Set Aside	None
Population Served:	General
Region:	7
Type of Development:	New Construction
Units:	64
Credits Requested:	$585,392

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08182
Executive Director Appeal Response

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 3, 2008

Mr. Kevin Ruf
Sound Preservation 105, LP
1201 Third Avenue, Suite 5400
Seattle, WA 98101
Telephone: (206) 628-8026
Facsimile: (206) 628-8031

Re: Appeal Received for Suncrest Apartments, TDHCA #08182

Dear Mr. Ruf:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the point loss under §50.9(i)(27), Leveraging of Private, State, and Federal Resources, of the 2008 Qualified Allocation Plan and Rules ("QAP").

Points for Leveraging of Private, State, and Federal Resources may be awarded to an Application if all requirements of §50.9(i)(27) are fulfilled, including the requirements that the proposed Development has received or will receive loan(s), grant(s) or in-kind contributions from a private, state or federal resource, and the funding must be in addition to the primary funding (construction and permanent loans) and cannot be issued from the same primary funding source or an affiliated source.

In your appeal, you assert that the HUD 236 Interest Reduction Payment funds (IRP) will result from your application to HUD for a Regulatory Agreement and for continuation of the IRP. You submitted the IRP as a substitute source for points under §50.9(i)(27) in response to a March 25, 2008 Deficiency Notice informing you that the original source you submitted was not eligible.

In your response to the Deficiency Notice, you also submitted an updated *Summary Sources and Uses of Funds* form and a Financing Narrative. In the narrative, you state, "A conventional 1st mortgage loan from PNC Multifamily Capital in the amount of $3,064,600 will provide roughly 38% of the financing for the project... This loan will be separated into two parts. The first part is supported by NOI from the property. This part is sized at $2,649,000... The second part of the loan is sized at $415,000. This second part of the loan relies on Interest Reduction Payment component of the HUD 236 loan to provide the payments."

The HUD 236 Interest Reduction Payment funds are ineligible because they are part of the conventional 1st mortgage loan from PNC Multifamily Capital and are not in addition to the primary funding (construction and permanent loans), and the funds are issued from the same primary funding source. For these reasons, the one (1) point was not awarded.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08182
Appeal
Documentation

Sound Preservation Development LLC
1201 Third Avenue Suite 5400 Seattle, WA 98101
(206) 622-9900

May 22, 2008

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 E. 11TH Street
Austin, Texas 78701

Re: Suncrest Apartments #08182 – Scoring Appeal

Dear Mr. Gerber:

Our appeal of the final scoring determination is enclosed with this letter.

The staff determined that the Section 236 IRP payment stream does not qualify as a Federal grant or fund source. The reason given is that it is a pre-existing source of funding and is not a new grant or fund source for the proposed project.

We believe it should qualify and should be construed as a new source.

It is true that the current owner receive the Interest Reduction Payment (IRP) from the Federal Government, in exchange for maintaining compliance with a Regulatory Agreement. However, when the current owner sells the property and pre-pays the associated Section 236 mortgage, the Regulatory Agreement and the IRP are both terminated.

It is up to the purchaser of the property to apply to HUD to have the IRP continue, and to enter into a new Regulatory Agreement for the remaining term of the IRPs, plus five additional years.

I have attached the "old" Section 236 note and Regulatory Agreement that is currently in place with the seller of the property. This spells out that the mortgage can be prepaid and that the IRP and Regulatory Agreement terminate upon payment.

I have also attached our application to HUD for the decoupling of the IRP. This de-coupling is a process where the mortgage is paid, a new Regulatory Agreement is executed by the new owner, and the IRPs are continued so log as the property remains in compliance. Included with this application are a new Use Agreement and a new Regulatory Agreement in draft form. Also included in the application for de-coupling are an operating pro forma, a sources and uses statement and proposed operating budget. I did not include the Appraisal and Market Study that are required because these are very large documents and TDHCA already has copies of these. HUD also reviews the applicant's history of participation in HUD and other federal programs.

The application for the de-coupling is a process that is reviewed by HUD and if accepted, we enter into the new compliance requirements.

We believe that the process for application for the de-coupling represents a new application for HUD funding to a new recipient. The materials they require and review in order to approve the new proposal are similar to what TDHCA reviews with an application for HOME funds, and the regulatory requirements restricting tenant incomes and rents and requiring reporting, are similar as well.

So you can see that without making this application, and committing to a new Regulatory Agreement, the federal funding in the form of the IRPs would not be available to the property. It would simply disappear as a result of the pay off of the Section 236 mortgage.

The funds from the IRP will enable the property to complete additional rehabilitation, and without this funding, the proposal is not feasible. For these reasons, we are appealing the determination that the IRP funds do not qualify as new Federal Funds.

Respectfully Yours,

Keven Ruf
Portfolio Manager
Sound Preservation Development

Attachments:

Section 236 Note and Rider
Regulatory Agreement
Attorney Opinion that existing Section 236 mortgage can be prepaid and Regulatory Agreement can be terminated
Application to HUD for decoupling the Section 236 mortgage from the IRP

Cc: Sharon Gamble
Jeff Spicer

Sound Preservation Development LLC
1201 Third Avenue Suite 5400 Seattle, WA 98101
(206) 622-9900

May 22, 2008

Sharon Gamble
Tax Credit Manager
TDHCA

RE: Appeal for final scoring of 08182, Suncrest Apartments

Dear Ms. Gamble:

Our appeal of the final scoring for is enclosed with this letter.

The staff determined that the Section 236 IRP payment stream does not qualify as a Federal grant or fund source. The reason given is that it is a pre-existing source of funding and is not a new grant or fund source for the proposed project.

We believe it should qualify and should be construed as a new source.

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It is up to the purchaser of the property to apply to HUD to have the IRP continue, and to enter into a new Regulatory Agreement for the life of the IRPs.

I have attached the "old" Section 236 note and Regulatory Agreement that is currently in place with the seller of the property. This spells out that the mortgage can be prepaid and that the IRP and Regulatory Agreement terminate upon payment.

I have also attached our application to HUD for the decoupling of the IRP. This de-coupling is a process where the mortgage is paid, a new Regulatory Agreement is executed by the new owner, and the IRPs are continued so log as the property remains in compliance. Included with this application are a new Use Agreement and a new Regulatory Agreement in draft form. Also included in the application for de-coupling are an operating pro forma, a sources and uses statement and proposed operating budget. I did not include the Appraisal and Market Study that are required because these are very large documents and TDHCA already has copies of these. HUD also reviews the applicants history of participation in HUD and other federal programs.

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We believe that the process for application for the de-coupling represents a new application for HUD funding to a new recipient. The materials they require and review in order to approve the new proposal are similar to what TDHCA reviews with an application for HOME funds, and the regulatory requirements restricting tenant incomes and rents and requiring reporting, are similar as well.

So you can see that without making this application, and committing to a new Regulatory Agreement, the federal funding in the form of the IRPs would not be available to the property. It would simply disappear as a result of the pay off of the Section 236 mortgage.

The funds from the IRP will enable the property to complete additional rehabilitation, and without this funding, the proposal is not feasible. For these reasons, we are appealing the determination that the IRP funds do not qualify as new Federal Funds.

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Keven Ruf
Portfolio Manager
Sound Preservation Development

Attachments:

Section 236 Note and Rider
Regulatory Agreement
Attorney Opinion that existing Section 236 mortgage can be prepaid and Regulatory Agreement can be terminated
Application to HUD for decoupling the Section 236 mortgage from the IRP

46-0002868

FHA FORM NO. 4181-D
(CORPORATE)
Revised July 1965

DEED OF TRUST NOTE

$1,550,800.00 42 46 2773 El Paso County, Texas.
April 18, 1974.

FOR VALUE RECEIVED, the undersigned promise(s) to pay to

HOUSING AMERICA MORTGAGE CO., INC.

, or order, the principal sum of One Million Five Hundred Fifty Thousand Eight Hundred and no/100 - - - - - Dollars ($1,550,800.00), with interest on the unpaid balance until paid at the rate of seven per centum (7 %) per annum. The principal and interest of this Note are to be paid in monthly installments as follows:

Interest alone payable monthly on the first day of May, 1974, and on the first day of each month thereafter to and including September 1, 1975. Thereafter commencing on the first day of October, 1975, installments of interest and principal shall be paid in the sum of Nine Thousand Six Hundred Thirty-Seven and 16/100 Dollars ($9,637.16) each, such payments to continue monthly thereafter on the first day of each succeeding month until the entire indebtedness has been paid. In any event, the balance of principal (if any) remaining unpaid, plus accrued interest, shall be due and payable on September 1, 2015. The installments of interest and principal shall be applied first to interest at the rate of seven per centum (7%) per annum upon the principal sum or so much thereof as shall from time to time remain unpaid, and the balance thereof shall be applied on account of principal.

Both principal and interest under this Note, as well as the additional payments set forth in the Deed of Trust, shall be payable at the office of Housing America Mortgage Co., Inc. in Dallas, Texas or such other place as the holder may designate in writing.

Privilege is reserved to pay the debt in whole or in an amount equal to one or more monthly payments on principal next due, on the first day of any month prior to maturity upon at least thirty (30) days' prior written notice to the holder and with the prior written approval of the Federal Housing Commissioner. If this debt is paid in full while insured under the provisions of the National Housing Act, as amended, all parties liable for payment thereof agree to be jointly and severally bound to pay to the holder hereof such adjusted mortgage insurance premium as may be required by the applicable Regulations.

Notwithstanding any provision herein for a prepayment charge, such charge shall be applicable only to the amount of prepayment in any one calendar year which is in excess of fifteen per centum (15%) of the original principal sum of this Note. In no event shall there be a prepayment charge or premium if the prepayment is for the purpose of releasing units for sale to lower income, elderly or handicapped persons.

If default be made in the payment of any installment under this Note, and if such default is not made good prior to the due date of the next such installment, the entire principal sum and accrued interest shall at once become due and payable without notice, at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default in the payment of this Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all costs of collection, including a reasonable attorney's fee.

No default shall exist by reason of nonpayment of any required installment of principal so long as the amount of optional additional prepayments of principal already made pursuant to the privilege of prepayment set forth in this Note equals or exceeds the amount of such required installment of principal.

All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor.

The maker assumes no personal liability for the payment hereof except as set out in the Deed of Trust of even date given to secure this indebtedness.

The provisions set out in the rider hereto attached marked Exhibit "A" are incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by ~~its officer~~ one of its general partners thereunto duly authorized ~~and its corporate seal to be hereto affixed~~ the day and year first above written.

EL CORONADO APTS., LTD.

~~(SEAL)~~

By John E Musselman Jr

John E. Musselman, Jr. ~~President~~

General Partner

~~ATTEST:~~

~~Secretary~~

THIS IS TO CERTIFY that this is the Note described in and secured by Deed of Trust of even date herewith, and in the same principal amount as herein stated, to L. J. Phelps, Trustee~~(s)~~, on real estate located in El Paso County, Texas.

Dated the 18 day of April, 1974.

Carolyn Sanders

[SEAL] Dallas County, Texas - *Notary Public*

My commission expires on the 1st day of June, 1975.

STATE OF TEXAS

LOAN NO.

Deed Of Trust Note

EL CORONADO APTS., LTD.

TO

HOUSING AMERICA MORTGAGE CO., INC.

No. 133-44037-LD-SUP

Insured under Section 236 of the National Housing Act and Regulations published thereunder.

In effect on February 22, 1974

To the Extent of Advances Approved by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By [signature]

Authorized Agent

Date April 18, 1974

A Total Sum of $1,550,800.00 has been approved for insurance hereunder by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By [signature]

Authorized Agent

Date May 20, 1975

Reference is made to the Act and to the Regulations thereunder covering assignments of the insurance protection on this Note.

7314I-P Rev. 7/66 FHA-Wash., D. C.

Pay to the order of FEDERAL NATIONAL MORTGAGE ASSOCIATION, without recourse.

HOUSING AMERICA MORTGAGE CO., INC.

By L J Phelps

Vice President

Project No. 133-44037-LD-SUP

42 46 2773

RIDER TO DEED OF TRUST NOTE FROM EL CORONADO APTS., LTD. TO HOUSING AMERICA MORTGAGE CO., INC.

The debt evidenced by this note may not be prepaid either in whole or in part prior to the final maturity date hereof without the prior written approval of the Federal Housing Commissioner except where: (1) The prepayment is in connection with the release of an individual unit for sale to a lower income, elderly or handicapped person; or (2) The maker is a limited distribution mortgagor which is not receiving payments from the Commissioner under a rent supplement contract pursuant to Section 101 of the Housing and Urban Development Act of 1965, and the prepayment occurs after the expiration of 20 years from the date of final endorsement or as a result of a sale of the project to a cooperative or nonprofit corporation or association and the purchase is financed with a mortgage insured pursuant to Section 236(j)(3) of the National Housing Act, as amended.

In the event of prepayment of principal during any one calendar year in an amount in excess of 15 percent of the original principal amount of the note, all parties liable for payment thereof hereby agree to be jointly and severally bound to pay to the holder hereof for its own account a premium or charge equal to 3 percent of the amount of such excess less 1/8 of 1 percent for each 12-month period which has elapsed since the date of the note.

In the event that the mortgagor shall fail to make any monthly payment of principal and interest due the mortgagee within fifteen (15) days after the due date hereof, the mortgagee may, at his option, impose a late charge upon the mortgagor in an amount not to exceed 2 percent (2%) of said monthly payment, provided, nevertheless, that so long as this mortgage shall be insured by the Federal Housing Administration under Section 236 of the National Housing Act, the amount of the monthly payment upon which such late charge may be imposed shall be limited to the amount actually payable by the mortgagor to the mortgagee and shall not include for such purpose the amount payable by the Federal Housing Administration to the mortgagee pursuant to its commitment under Section 236 of the National Housing Act.

In the event any item, items, terms or provisions contained in this instrument are in conflict with the laws of the State of Texas, this instrument shall be affected only as to its application to such item, items, terms or provisions, and shall in all other respects remain in full force and effect. It is understood and agreed that in no event and upon no contingency shall the maker of this note, or any party liable thereon or therefor, be required to pay interest in excess of the rate allowed by the laws of the State of Texas. The intention of the parties being to conform strictly to the Usury Laws now in force, any of said contracts for interest shall be held to be subject to reduction to the amount allowed under said Usury Laws as now or hereafter construed by the courts having jurisdiction.

JM

EXHIBIT "A"

Pillsbury
Winthrop
Shaw
Pittman LLP

50 Fremont Street
San Francisco, CA 94105
Tel 415.983.1000
Fax 415.983.1200

MAILING ADDRESS
P. O. Box 7880
San Francisco, CA 94120
www.pillsburylaw.com

March 26, 2008

Irene C. Kuei
Phone: 415.983.1855
Fax: 415.983.1200
irene.kuei@pillsburylaw.com

Keven Ruf
Sound Preservation 105 LP
1201 Third Avenue, Suite 5400
Seattle, Washington 98101-3031

Re: Suncrest Apartments (the "Project")

Dear Mr. Ruf:

You have asked us to review that certain Deed of Trust Note dated April 18, 1974 (the "Note") and that certain Regulatory Agreement for Limited Distribution Mortgagors Under Section 236 of the National Housing Act, as amended, dated April 18, 1974 and recorded April 18, 1974 in El Paso County, Texas (the "Regulatory Agreement") to determine whether the Note may be prepaid and the Regulatory Agreement Terminated.

Based solely on our review of the Note and the Regulatory Agreement, we believe that the Note may be prepaid and the Regulatory Agreement terminated at anytime upon 30 days prior written notice to the holder of the Note and with the prior written approval of the Federal Housing Commissioner.

The Regulatory Agreement specifically states that the Project is subject to the Regulatory Agreement, which places certain income and rent restrictions on the Project, only so long as the Section 236 mortgage insurance continues in effect and during such further period of time as the Federal Housing Commissioner shall be the owner, holder or reinsurer of the mortgage. Therefore, should the owner of the Project decide to prepay the mortgage upon a 30 days prior written notice and seek the Federal Housing Commissioner's approval to prepay the mortgage, the Note may be prepaid and the Regulatory Agreement terminated.

Please let us know if you have any questions regarding this issue. Thank you.

Very truly yours,

Irene C. Kuei

Pillsbury
Winthrop
Shaw
Pittman LLP

50 Fremont Street
San Francisco, CA 94105
Tel 415.983.1000
Fax 415.983.1200

MAILING ADDRESS
P. O. Box 7880
San Francisco, CA 94120
www.pillsburylaw.com

February 21, 2008

Irene C. Kuei
Phone: 415.983.1855
Fax: 415.983.1200
irene.kuei@pillsburylaw.com

VIA FEDERAL EXPRESS

Sharon Gordon-Riberio
Project Manager
U.S. Department of Housing and Urban Development
801 Cheery Street, Unit #45, Suite 2500
Fort Worth, Texas 76102

Re: Preservation and Rehabilitation Proposal for Suncrest Apartments
FHA Project No. 133-44037
Section 8 Project No. TX16L000241

Dear Ms. Riberio:

We are submitting this proposal (the "Proposal") on behalf of Sound Preservation 105 LP, a Texas limited partnership (the "Proposed Owner"), which intends to acquire and rehabilitate the project referenced above (the "Project") commencing in February of 2008. In accordance with Section 236(e)(2) of the National Housing Act, as implemented by Notice H00-8, the Proposed Owner intends to prepay the existing FHA-insured note and continue the Interest Reduction Payments ("IRP") by preserving the Project's affordability for at least five years beyond termination of the IRP assistance. The Proposed Owner will finance its acquisition and rehabilitation of the Project in part using the low income housing tax credits reserved for the Project (the "Tax Credits") by the Texas Department of Housing and Community Affairs (the "Tax Credit Agency"). The Project's regulatory oversight functions will be assumed by the Tax Credit Agency. PNC Bank, National Association, a national banking association, in its capacity as the lender (the "Lender"), which will replace the current Section 236 mortgagee for the Project, will make a loan in the approximate amount of $2,481,660 to assist in the financing of the acquisition and rehabilitation of the Project. As required by Notice H00-

8, this Proposal provides all of the information necessary for HUD to make an informed decision that there is good cause to continue the Project's IRP assistance.[1]

By this Proposal, the Proposed Owner also seeks HUD's approval of a budget based rent increase in connection with the Project's Section 236 rents and Section 8 Housing Assistance Payments Preservation Renewal Contract ("HAP Contract") rents and Proposed Owner's entry into a HAP Contract with a 20-year term. If approved, this Proposal will both increase and prolong the Project's affordability. It will also finance a much needed rehabilitation of the Project. A copy of the appraisal for the Project is attached hereto as Exhibit A.

The Sponsor

Following are descriptions of the Proposed Owner and the other parties that will be principal participants in the Project. We have submitted forms HUD-2530 for all principal participants separately.

The Proposed Owner. The Project will be owned and operated by Sound Preservation 105 LP, a Texas limited partnership. Sound Preservation 105 LLC, a Washington limited liability company, will be the general partner of the Proposed Owner. PNC Bank, National Association, a national banking association ("PNC") or an affiliate of PNC, in its capacity as the equity investor (the "Limited Partner"), will be admitted as a limited partner to the Proposed Owner at the close of the acquisition and financing of the Project to provide additional capital.

The General Partner and Madrona Tax Credit Owner LLC. Sound Preservation 105 LLC, a Washington limited liability company, is the general partner of the Proposed Owner and is controlled by Madrona Tax Credit Owner LLC ("Madrona"). Madrona is a Washington limited liability company formed to acquire, develop and rehabilitate affordable housing projects. John Orehek is the principal of Madrona. Mr. Orehek has over 25 years of experience working in the affordable housing industry and will guaranty

[1] All information contained in this Proposal was provided to us by the Proposed Owner and the other parties listed herein or obtained from public records.

certain of the Proposed Owner's obligations with respect to the financing and development of the Project.

The Property Manager. The property manager of the Project will be selected and a form 2530 will be filed shortly.

The General Contractor. The general contractor of the Project will be Fauss Construction Company (the "General Contractor"), which is owned by Richard Fauss. The General Contractor specializes in the construction and rehabilitation of multifamily properties and has renovated over 1,600 housing units in several states.

General Project Description

Suncrest Apartments is a 100-unit apartment community located at 611 Rubin Drive in City of El Paso, County of El Paso, Texas, that was built in 1974. El Coronado Apartments, LTD (the "Seller") is the current owner of the Project. The Seller has entered into a contract to sell the Project to the Proposed Owner.

There is a deed of trust dated April 18, 1974 on the Project securing a loan from Housing America Mortgage Co., Inc., in the original principal amount of $1,550,800 (the "FHA Note"), as amended by a Modification Agreement dated November 20, 1975 and recorded on November 20, 1975, which transferred the deed of trust and the note to Federal National Mortgage Association. The FHA Note is insured by FHA under Section 236.

The Project is currently assisted by a HAP Contract covering 83 of the 100 units. The HAP Contract expires on September 30, 2008.

The Project is subject to a Regulatory Agreement for Limited Distribution Mortgagors under Section 236 of the National Housing Act, as Amended (as amended, the "LD Regulatory Agreement") dated April 18, 1974, between the Seller and HUD. Pursuant to its terms, the LD Regulatory Agreement remains in effect during the term of the FHA insurance. The LD Regulatory Agreement will therefore terminate when the FHA Note is prepaid and the Proposed Owner acquires the Project.

Financing/Leveraging Public Dollars

Tax Credits. The Proposed Owner will receive an allocation of low-income housing tax credits (the "Tax Credits"), which will be allocated to the limited partner of the Proposed Owner in consideration of its capital contribution to the Proposed Owner in the approximate amount of $2,665,084. As a condition to its allocation of Tax Credits to the Proposed Owner, the Tax Credit Agency will require that the Proposed Owner record an extended use agreement (the "Tax Credit Regulatory Agreement") on the Project that will require affordability for a 15-year period.

Construction Loan and Agency Loan. The Lender will make a loan in the original principal amount of $2,481,660 to the Proposed Owner, to be secured by a deed of trust having a senior position on the Property (the "Construction Loan"). The Developer is also seeking a loan in the original principal amount of $331,000 from South Texas Housing Finance Corporation, to assist in the acquisition and rehabilitation of the Project (the "STHFC Loan").

Rent Increase, HAP Contract Assumption and Extension. The Proposed Owner is seeking to assume the HAP Contract, increase Section 236 rents and HAP Contract rents, and extend the HAP Contract for a period of 20 years when it acquires the Project. Extension of the HAP Contract for a 20-year period is a condition precedent to the Construction Loan and the HOME Loan and the equity contribution of the Limited Partner. The current Section 236 rents as established by HUD and HAP Contract rents are substantially below market rents in comparable projects in the Project area as reflected by the Rental Market Study attached hereto as Exhibit B. A much needed rent increase with regard to both Section 236 rents and HAP Contract rents are necessary in order to maintain the Project's affordability after the Proposed Owner's acquisition and rehabilitation of the Project. Copies of the 15-Year Cash Flow Analysis and Income and Expense Projections (HUD Form 92457-A) are attached hereto as Exhibits C and D respectively. The Proposed Owner and HUD will enter into a Section 236(e)(2) Use Agreement upon HUD's approval of the continuation of the Project's IRP Assistance, which will extend the term of the Project's affordability for at least 5 years beyond the IRP term (the "HUD Use Agreement").

Continuation of IRP Assistance and Mortgagee Acceptance of IRP Assistance

Termination of FHA Insurance. In connection with the Proposed Owner's acquisition of the Project, the FHA Note will be prepaid and the FHA insurance will be terminated. Upon termination of the FHA insurance, the LD Regulatory Agreement will be released.

Continuation of IRP Assistance. The Proposed Owner seeks to preserve the Project's IRP assistance. IRP assistance will continue at the same rate for the remaining term of the original IRP agreement. The Lender will act as the new Section 236(e)(2) mortgagee and enter into an Agreement for Interest Reduction Payments (the "IRP Agreement") in the form attached to Notice 00-08. IRP will be paid directly to the Lender. Without continuation of the IRP assistance, the Lender will not make the Construction Loan. Continuation of the IRP assistance is therefore essential to the Project's financing, which will extend the Project's affordability and pay for much needed capital improvements.

Regulatory Oversight

Regulatory oversight of the Project will be provided by the Tax Credit Agency pursuant to the IRP Agreement and the Tax Credit Regulatory Agreement.

Physical Improvements

The Proposed Owner will make substantial improvements to the Project to bring it up to modern standards comparable to market-rate rental properties and to increase energy efficiency. The planned renovations will substantially benefit the tenants directly. The scope of work inside the units will include new floor covering, new bathroom fixtures including toilets, surrounds, vanities, medicine cabinets and sinks, new kitchen fixtures including new cabinets, sinks and countertops, and new interior doors and hardware. The exterior scope of work includs new roofs, new windows, new entry doors, along with new landscaping and new drip irrigation system and new play areas. The rehabilitation of the Project will reintroduce the Project as one of the most attractive affordable housing communities in the City of El Paso area.

The cost of the rehabilitation will be $6,428,631. Of that total budget, $1,976,700 will be allocated to hard construction costs, which amounts to $19,767 per unit.

Deposits to Reserve Account

The Proposed Owner will continue to make deposits in the amount of $515.42 per month into the replacement reserve fund.

Affordability

Under this Proposal, the Project will be subject to *three* affordable housing regulatory agreements: the HUD Use Agreement, the IRP Agreement and the Tax Credit Regulatory Agreement. Pursuant to the Tax Credit Regulatory Agreement, the Project will be maintained as a low-income housing resource for at least 15 years. This regulatory period is well in excess of the Section 236(e)(2) requirement that the Project remain affordable for the term of the IRP assistance (which terminates in 2015) plus five years.

Tenant Protections

Tenants of the Project will be protected from displacement pursuant to the provisions of the Tax Credit Regulatory Agreement, the Use Agreement and the IRP Agreement, each of which will prohibit evictions of very low, low and moderate-income tenants without cause.

Rents will be restricted according to the terms of the Tax Credit Regulatory Agreement, the IRP Agreement, and the extended HAP Contract. In order to finance the much needed rehabilitation of the Project, the Proposed Owner is seeking HUD's approval to increase the Section 236 rents and HAP Contract rents. Because only 83 of the 100 units are covered by the HAP Contract, the Proposed Owner will also be seeking HUD's approval of enhanced tenant based rental assistance for the tenants of the 17 non-HAP Contract assisted units. As described above, because of the Tax Credits financing and the extended HAP Contract, tenant protections against eviction and future rent increases will last longer than they would if this Proposal were not approved.

If any tenant has to be relocated temporarily due to the rehabilitation, the Proposed Owner will provide for and pay all costs of such relocation. No tenant will be required to pay any money (for relocation or otherwise) as a consequence of the implementation of this Proposal.

Tenant Services

After it acquires the Project, the Proposed Owner will provide the Project with one full time maintenance employee with a half time assistant. There is one staff person in charge of leasing, and another who is in charge of over-all management of the Project, including coordinating tenant services. The services available to tenants on site from outside sources include: case management, meals on wheels, various social services, and public transportation for handicapped residents. There will be additional services provided after the Project is rehabilitated, including basic adult education, financial planning, homebuyer education, credit counseling, health screening and other social services. These services, which are not required by the terms of the Tax Credit financing, will greatly enhance the tenants' quality of life at the Project.

Tenant Notices

The Proposed Owner will notify tenants of the change in ownership of the Project and the terms of this Proposal in accordance with 24 CFR part 245.

HUD Approvals Requested

To permit this Proposal to succeed, the Proposed Owner seeks the following actions and approvals by HUD:

1. Acceptance of the Lender as the Section 236 non-insured mortgagee for the Project,

2. Approval of the transfer of regulatory oversight to the Tax Credit Agency,

3. Entry by HUD into the IRP Agreement,

4. Clearance of Previous Participation Certifications (forms HUD-2530) for all principal participants in the Project,

5. Approval of budget based rent increase in connection with Section 236 rents and HAP Contract rents,

6. Approval of enhanced tenant-based rental assistance for the 17 non-HAP assisted units,

7. Approval of transfer of HAP Contract to the Proposed Owner,

8. Approval of extension of HAP Contract to 20 years, and

9. Approval of prepayment of FHA Note.

Source and Use Statement

The Source and Use Statement attached as Exhibit E fully delineates the costs associated with this Proposal.

Other Federal, State and Local Assistance

Under this Proposal, the Project will receive the following public assistance:

1. The Tax Credits financing,

2. The Section 8 assistance under the HAP Contract,

3. The enhanced tenant-based rental assistance,

4. The STHFC Loan, and

5. The IRP assistance.

Attachments:

Exhibit A	Appraisal
Exhibit B	Rental Market Study
Exhibit C	15 Year Cash Flow Analysis

Exhibit D	Income and Expense Projections (HUD Form 92457-A)
Exhibit E	Source and Use Statement
Exhibit F	Draft Assignment and Assumption of Housing Assistance Payments Contract
Exhibit G	Draft Use Agreement
Exhibit H	Draft IRP Agreement

If you have any questions regarding this proposal, please do not hesitate to contact me at (415) 983-1855.

Sincerely,

Irene C. Kuei

Cc: Keven Ruf

EXHIBIT C

15-YEAR CASH FLOW ANALYSIS

(ATTACHED)

Suncrest Apartments
El Paso, TX
Total units 100
15 year tax credit pro forma

Escalations: Income 2.5%, Expenses 3.5%

	Stabilized Year 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Income															
Gross Potential Income	708,924	726,647	744,813	763,434	782,519	802,082	822,134	842,088	863,705	885,349	907,483	930,170	953,424	977,260	1,001,691
Other Income	9,100	9,328	9,561	9,800	10,045	10,296	10,553	10,817	11,087	11,365	11,649	11,940	12,239	12,544	12,858
5% Vacancy	(35,446)	(36,332)	(37,241)	(38,172)	(39,126)	(40,104)	(41,107)	(42,134)	(43,186)	(44,267)	(45,374)	(46,508)	(47,671)	(48,863)	(50,085)
Gross Effective Income	682,578	699,642	717,133	735,062	753,438	772,274	791,581	811,371	831,655	852,446	873,767	895,601	917,991	940,941	964,465
Expenses															
Administrative	77,076	79,774	82,566	85,456	88,446	91,542	94,746	98,062	101,494	105,047	108,723	112,529	116,467	120,543	124,762
Management Fee	43,710	45,240	46,823	48,462	50,158	51,914	53,731	55,611	57,558	59,572	61,657	63,815	66,049	68,361	70,753
Utilities	80,387	83,180	86,091	89,104	92,223	95,451	98,792	102,249	105,828	109,532	113,366	117,333	121,440	125,690	130,090
Operating	54,695	56,616	58,605	60,663	62,993	65,108	67,460	69,642	72,286	74,810	77,435	80,145	82,950	85,853	88,858
Taxes and Insurance	139,302	144,178	149,224	154,447	159,852	165,447	171,238	177,231	183,434	189,854	196,499	203,377	210,495	217,862	225,487
Total Expenses	(395,350)	(409,187)	(423,509)	(438,332)	(453,673)	(469,552)	(485,986)	(502,996)	(520,600)	(538,821)	(557,680)	(577,199)	(597,401)	(618,310)	(639,951)
NOI	287,228	290,455	293,624	296,730	299,765	302,722	305,595	308,376	311,054	313,626	316,077	318,402	320,590	322,631	324,514
Reserves	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Adjusted NOI	262,228	265,455	268,624	271,730	274,765	277,722	280,595	283,376	286,054	288,626	291,077	293,402	295,590	297,631	299,514
Available for Debt Service	218,523	1.2 Debt coverage required													
Debt Service															
First Mortgage	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)	(202,143)
Second Mortgage	(65,564)	(35,476)	(37,569)	(39,549)	(41,407)	(43,134)	(44,722)	(46,159)	(47,437)	(18,772)	0	0	0	0	0
Surplus Cash	(5,479)	27,836	28,913	30,038	31,215	32,445	33,730	35,072	36,475	67,710	88,934	91,259	93,447	95,488	97,371

EXHIBIT D

INCOME AND EXPENSE PROJECTIONS (HUD FORM 92457-A)

(ATTACHED)

Budget Worksheet
Income and Expense Projections

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0324
(exp. 7/31/2009)

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected in accordance with Title II of the National Housing Act which requires that HUD regulate rents for certain cooperative and subsidized rental projects. The Department formulated the processes by which owners could request increases. The requirement for tenant participation in the rent increase process, which is included in Section 202(b) of the HCD Amendments of 1978, necessitated that the Department design procedures to give consideration to tenant comments. The information gathered is not of a confidential nature. The information is required in order to obtain benefits.

Project Number	Name of Project

Audited 2006 | YE 07 financials | 1-1-08 to 12-31-08

Description of Account		Acct.No.	Statement of Profit/Loss FY 06	Current FY (no. of mos. 12)	Budget from (1-08 to (12-08
Rental Income 5100	Rent Revenue - Gross Potential	5120	623813	646915	755472
	Tenant Assistance Payments	5121	257566	284858	275000
	Rent Revenue - Stores and Commercial	5140			
	Garage and Parking Spaces	5170			
	Flexible Subsidy Revenue	5180			
	Miscellaneous Rent Revenue	5190			
	Excess Rent	5191			
	Rent Revenue/ Insurance	5192			
	Special Claims Revenue	5193			
	Retained Excess Income	5194	1617	2869	0
	Total Rent Revenue Potential at 100% Occupancy	5100T	625430	649784	755472
Vacancies 5200	Apartments	5220	5388	5137	37773
	Stores and Commercial	5240			
	Rental Concessions	5250	3107	2532	0
	Garage and Parking Spaces	5270			
	Miscellaneous	5290			
	Total Vacancies	5200T	8495	7669	37773
	Net Rental Revenue (Rent Revenue less Vacancies)	5152N	616935	642115	717698
Income 5300	Nursing Homes/ Assisted Living/ Board & Care/ Other Elderly Care/ Coop/ Other Revenues	5300			
Financial Revenue 5400	Financial Revenue -Project Operations	5410			
	Revenue from Investments-Residual Receipts	5430	334	1227	0
	Revenue from Investments-Replacement Reserve	5440	10790	13390	750
	Revenue from Investments-Miscellaneous	5490	199	217	250
	Total Financial Revenue,	5400T	11323	14834	1000
Other Revenue 5900	Laundry and Vending Revenue	5910	12714	11282	12500
	Tenant Charges	5920	1434	784	1200
	Interest Reduction Payments Revenue	5945	72088	71751	71002
	Gifts (nonprofits)	5970			
	Miscellaneous Revenue	5990			
	Total Other Revenue	5900T	97559	98615	72202
	Total Revenue	5000T	518320	543500	802400
Admin. Expenses 6200/ 6300	Conventions and Meetings	6203	3118	3839	
	Management Consultants	6204			
	Advertising and Marketing	6210	326	105	300
	Other Renting Expense	6250			
	Office Salaries	6310	14694	12949	
	Office Expenses	6311	12059	9544	14814
	Office or Model Apartment Rent	6312			
	Management Fee	6320	43350	44382	42797
	Manager or Superintendent Salaries	6330	30438	31048	
	Administrative Rent Free Unit	6331	12264	12264	12264
	Legal Expenses - Project	6340	0	19	31
	Audit Expenses	6350	6500	4652	6500
	Bookkeeping Fees/Accounting Services	6351	8304	9600	8500
	Miscellaneous Administrative Expenses	6390	1437	4411	11721
	Total Administrative Expenses	6263T	129372	125974	96627

Description of Account		Acct.No.	Statement of Profit/Loss FY__	Current FY (no. of mos.)	Budget from ( ) to ( )
Utilities 6400	Fuel Oil/Coal	6420			
	Electricity	6450	10452	9705	9878
	Water	6451	21511	16975	16247
	Gas	6452	35730	31145	34400
	Sewer	6453	16446	14256	15780
	Total Utilities Expense	6400T	84139	72081	76305
Operating & Mainten. Expenses 6500	Payroll	6510	46943	47553	98613
	Supplies	6515	16391	12282	15828
	Contracts	6520	37748	36750	26281
	Operating and Maintenance Rent Free Unit	6521			
	Garbage and Trash Removal	6525			9036
	Security Payroll/Contract	6530			
	Security Rent Free Unit	6531			
	Heating/Cooling Repairs and Maintenance	6546	2083	2134	2250
	Snow Removal	6548			
	Vehicle & Maint. Equip. Oper. and Repair	6570	179	28	
	Misc. Operating & Maintenance Expenses	6590	1358	1868	1500
	Total Operating & Maintenance Expenses	6500T	104702	100615	153508
Taxes and Insurance 6700	Real Estate Taxes	6710	63311	64862	77948
	Payroll Taxes (Project's share)	6711	9142	9376	9830
	Property and Liability Insurance (Hazard)	6720	30874	18518	26819
	Fidelity Bond Insurance	6721			
	Workmen's Compensation	6722			6791
	Health Insurance & Other Employee Benefits	6723			11804
	Misc. Taxes, Licen., Permits, & Insurance	6790	1329	23399	
	Total Taxes & Insurance	6700T	104656	116155	136192
Financial Expenses 6800	Interest on Mortgage Payable	6820	54882	50480	187273
	Interest on Notes Payable (Long-Term) *	6830			0
	Interest on Notes Payable (Short-Term) *	6840			
	Mortgage Insurance Premium/Service Charge	6850	3920	3606	0
	Miscellaneous Financial Expenses	6890	1650	1320	1500
	Total Financial Expenses	6800T	60452	171561	188773
Expenses 6900	Nursing Homes/ Assisted Living/ Board & Care/ Other Elderly Care/ Coop/ Other Revenues	6900			
	Total Cost of Operations	6000T	483321	586386	651405
	Reserve for Replacements Dep. Required		61920	78097	25000
	Principal Payments Required		60543	60543	24108
	Debt Service for other approved loans				20648
	Debt Service Reserve (if required)				
	General Operating Reserve (Coops)				
	Total Cash Requirements		605784	725026	721161
	Less Total Revenue		518320	543500	802400
	Net Cash Surplus (Deficiency)		(87464)	(181526)	81239

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

(Signature) Kevin Z Ref

Date (mm/dd/yyyy) 2-17-08

EXHIBIT E

SOURCES AND USES

(ATTACHED)

SOURCES AND USES

Suncrest Apartments

		Permanent Phase
Sources:		
	First Mortgage	2,481,660
	Second Mortgage	331,000
	Funds from Operations	253,000
	IRP decouple	415,100
		-
	LIHTC Equity	2,665,084
	Construction Loan	
	Developer Equity	282,788
	TOTAL SOURCES:	6,428,631

Uses:		
	Land Costs	541,845
	Building Acquisition Costs	2,241,000
	Hard Construction Costs	1,820,248
	Construction Contingency	91,012
	Soft Construction Costs	50,000
	Other Construction Costs	254,835
	Construction Interest	188,000
	Construction Loan Fees and Costs	55,000
	Permanent Financing Costs	89,817
	Soft Funds Financing Costs	3,310
	Bond Costs	-
	LIHTC Costs	23,429
	Lease-Up Costs	30,500
	Third Party Costs	250,500
	Real Estate Taxes	50,000
	Insurance	15,000
	Furniture, Fixtures & Equipment	-
	Reserves	-
	Development Contingency	-
	Developer Fee/Overhead Acq	348,077
	Developer Fee/Overhead Rehab	376,058
	TOTAL USES:	6,428,631

EXHIBIT F

DRAFT ASSIGNMENT AND ASSUMPTION OF HAP CONTRACT

(ATTACHED)

ASSIGNMENT, ASSUMPTION AND AMENDMENT AGREEMENT
SECTION 8 HOUSING ASSISTANCE PAYMENTS CONTRACT
(UNINSURED PROJECT)

THIS ASSIGNMENT, ASSUMPTION AND AMENDMENT OF SECTION 8 HOUSING ASSISTANCE CONTRACT (herein called the "Agreement") is made this ___ day of __________, 2008, by the United States of America, acting through the U.S. Department of Housing and Urban Development (herein called the "Contract Administrator"), El Coronado Apts., LTD (herein called the "Seller"), and Sound Preservation 105 LP, a Texas limited partnership (herein called the "Buyer").

WHEREAS, the Contract Administrator and the Seller, pursuant to Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437(f), entered into a Section 8 Housing Assistance Payments Contracts (herein called the "HAP Contract") identified as HAP Contract Numbers TX-16-L000-241 for units in the Suncrest Apartments (herein called the "Property"), a copy of which is attached hereto as "Exhibit A";

WHEREAS, the Seller and the Buyer have entered onto a Real Estate Purchase and Sale Agreement, dated as of ________________, 2008, wherein the Seller agrees to sell the Property and the Buyer agrees to purchase the Property, including, without limitation, the improvements situated thereon, and has agreed to accept the assignment of and assume all obligations under the HAP Contract;

WHEREAS, the Buyer has submitted to the Secretary of HUD (herein called "the Secretary") an application and documents in support thereof (herein collectively referred to as the "Application") requesting the Secretary's approval of the proposed assignment of the HAP Contract to the Buyer as set forth in the aforesaid Real Estate Purchase and Sale Agreement; and

WHEREAS, the Seller and the Buyer mutually desire to assign the HAP Contract; and it is necessary to and the Contract Administrator and the Buyer mutually desire to amend the HAP Contract to allow for physical inspections in accordance with 24 CFR Subpart G and require financial reporting in accordance with 24 CFR Subpart H;

NOW, THEREFORE, in consideration of the foregoing, the sum of Ten Dollars ($10.00) in hand paid and other good consideration, the receipt of which is hereby acknowledged, and in order to comply with the requirements of the Secretary, the National Housing Act of 1937, and the regulations adopted pursuant thereto, the parties hereto agree as follows:

1. The Seller hereby irrevocably assigns HAP Contract to the Buyer together with all rights and obligations in and under said contract.

2. Effective as of the date of this Agreement, the Buyer agrees to assume and to be bound by said HAP Contract as modified herein, and is responsible for filing the Annual Financial Statement (AFS) from the date of this Agreement through the end of the Buyer's fiscal year.

3. Effective as of this Agreement, the Seller is released from any further liability under the HAP Agreement, excepting that the Seller shall remain responsible for filing the AFS through the day before this Agreement if said HAP Contract includes an AFS filing requirement. Provided that the Seller is not released of liability for any acts occurring prior to the effective date of this Agreement.

4. Part II of the HAP Contract shall be amended as follows to include the following provisions:

   Physical Conditions Standards and Inspection Requirements. The Owner shall comply with the Physical Condition Standards and Inspection Requirements of 24 CFR Part 5, Subpart G, including any changes in the regulation and related Directives. In addition, the Owner shall comply with HUD's Physical Condition Standards of Multifamily Properties of 24 CFR Part 200, Subpart P, including any changes in the regulation and related Directives. This obligation shall apply both during the current term of the HAP Contract and during each successive renewal term.

   Financial Reporting Standards. The Owner shall comply with the Uniform Financial Reporting Standards of 24 CFR Part 5, Subpart H, including any changes in the regulation and related Directives. This obligation shall apply during the current term of the HAP Contract and for each successive renewal term.

5. This Agreement shall be construed under the laws of the State of Texas and to the extent inconsistent with the laws of the State of Texas, the laws of the United States of America. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

6. This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

7. The Secretary, by the signature of his authorized representative below, consents to assignment made hereby. Said consent shall be void ab initio if the Secretary determines that Buyer, or any principal or interested party of the Buyer, is debarred, suspended or subject to a limited denial of participation under 24 CFR Part 24, or is listed on the U.S. General Services Administration list of parties excluded from Federal procurement or nonprocurement programs.

NOTHING in this Agreement shall in any way impair the HAP Contract or alter, waive, annul, vary or affect any provision, condition, covenant therein, except as herein specifically provided, or affect or impair any rights, powers, or remedies under the HAP Contract, it being the intent of the parties hereto that the terms and conditions of the HAP Contract shall continue in full force and effect except as amended hereby.

IN WITNESS WHEREOF, the Seller, the Buyer and the Contract Administrator have caused this agreement to be executed. The effective date of this Agreement shall be the date title to the Property passes to the Buyer.

SELLER

El Coronado Apts., LTD

By: ______________________________
Name:
Title:

BUYER

SOUND PRESERVATION 105 LP,
a Texas limited partnership

By: Sound Preservation 105 LLC,
a Washington limited liability company,
its General Partner

By: Madrona Tax Credit Owner LLC,
a Washington limited liability company,
its Manager

By: ______________________________
John Orehek
Manager

CONTRACT ADMINISTRATOR (HUD or PHA)

U.S. Department and Housing and Urban Development

By: ______________________________

Name:

Title:

<u>EXHIBIT A</u>

HAP CONTRACT

EXHIBIT G

DRAFT USE AGREEMENT

(ATTACHED)

RECORDING REQUESTED BY: U.S. Department of HUD WHEN RECORDED RETURN TO: U.S. Department of HUD Texas Multifamily HUB 801 Cherry Street, Unite 45, Suite 2500 Fort Worth, Texas 76102	Project Name: Suncrest Apartments Project Location: El Paso, Texas Project Number: 133-44037

236(e)(2) USE AGREEMENT

This Agreement, entered into by the Secretary of Housing and Urban Development (the "Secretary" or "HUD"), and Sound Preservation 105 LP, a Texas limited partnership ("Owner"), provides as follows:

WHEREAS, Suncrest Apartments (the "Project"), a 100-unit project located in El Paso, Ohio, was financed with a Secured Note (the "Mortgage Note") and Mortgage (the "Mortgage"), dated April 18, 1974, and insured and assisted by the Secretary under Section 236 of the National Housing Act ("NHA"), as amended, and covering real property as described in Exhibit "A" attached hereto, which Mortgage was recorded in the Recorder's Office of the County of El Paso on April 18, 1974;

WHEREAS, the Owner acquired the Project from El Coronado Apts., LTD (the "Previous Owner");

WHEREAS, in connection with the Owner's acquisition of the Project from the Previous Owner, the Mortgage Note was prepaid with the Secretary's approval, and the Secretary approved the creation of a successor Mortgage and Note with interest reduction payments ("IRP") to continue under the authority of section 236(e)(2) of the NHA, and pursuant to the terms of the Agreement for Interest Reduction Payments of even date herewith (collectively, the "Transaction");

WHEREAS, in exchange for the Secretary's approval of the Transaction, the Owner has agreed to subject the Project to certain use restrictions, as set forth herein, which shall run with the land;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the parties hereby agree as follows:

1. Continuation of Section 8 Assistance. The Project currently receives the benefit of Section 8 assistance for 83 units pursuant to the terms of the HAP Contract. The Owner agrees

to accept and utilize project-based Section 8 assistance in accordance with the HAP Contract, and agrees to accept on the same terms and conditions of the existing HAP Contract, any renewal or extension of the HAP Contract or any contract under a program designated by the Secretary as a successor to the Section 8 program for as long as the IRP payments remain in effect, plus an additional five years.

2. Termination of Section 8 Assistance. In the event that the HAP Contract is terminated or not renewed, for any reason, the Owner shall continue to rent the Project under the terms of the Section 236 Interest Reduction Payments Agreement.

3. Continuation of All Affordability Restrictions. As a condition for receiving continued IRP under section 236(e)(2), the owner agrees, pursuant to that provision, "to operate the project in accordance with all low-income affordability restrictions for the project in connection with the Federal assistance for the project for a period having a duration not less than the term for which such interest reduction payments are to be made as a result of the section 236(e)(2) refinancing, plus an additional 5 years. By "all low-income affordability restrictions" and the word "Federal" before "assistance," the statutory provision requires the continuation of any low-income affordability restrictions in effect at the project on the date of the prepayment of the section 236 mortgage, if such restrictions have resulted from Federal, as opposed to, for example, state or local assistance, whether such assistance is presently being provided, or was provided at some point in the past. Examples of affordability restrictions linked to Federal assistance can include, but not be limited to, the section 236 restrictions governing the use of IRP, use restrictions on projects that were preservation eligible and received preservation incentives pursuant to an approved plan of action, use restrictions deriving from tax credits, etc.

At the subject project, the following affordability restrictions shall continue for the period referred to in the preceding paragraph: the affordability restriction inherent, through the operation of the section 236 statute, and in the section 236 program, which is to provide affordable housing for low-income tenants, and, which as implemented by HUD, makes the housing affordable for tenants whose income is at 60 percent of median income or lower. Thus, all section 236 statutory and regulatory requirements governing rents and occupancy operate, including the establishment of basic and fair market rents, pursuant to 24 CFR 236(f) of the NHA.

4. Physical Condition of the Property. The owner shall, for the term of this use agreement, maintain the property in a condition that is decent, safe and sanitary, and in good repair. It shall do so in conformity with HUD requirements at 24 CFR Part 5, Subpart G, or any successor regulation.

5. Financial Reporting Requirements. The owner shall, for the term of this use agreement comply with HUD financial reporting requirements at 24 CFR Part 5, Subpart H, or any successor regulation.

6. Tenant-based Assistance. The owner shall not unreasonably refuse to lease a dwelling unit to, or discriminate against, a prospective tenant because the tenant is the holder of a

Certificate of Family Participation or a Voucher under Section 8 of the United Sates Housing Act of 1937 (42 USC Section 1437f).

7. Runs With the Land. This Agreement shall run with the land and be binding upon the Owner, as well as any successors and assigns. Notwithstanding the above sentence, upon conveyance of the Project during the term of this Agreement, the Owner shall by contract, require its successors or assignees to assume its obligations under this Agreement.

8. Term. This Agreement shall continue in full force and effect until September 31, 2020.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and have agreed that it shall be effective as of the ____ day of ______________, 2008.

OWNER:

SOUND PRESERVATION 105 LP,
a Texas limited partnership

By: Sound Preservation 105 LLC,
a Washington limited liability company,
its General Partner

By: Madrona Tax Credit Owner LLC,
a Washington limited liability company,
its Manager

By: ________________________________
John Orehek
Manager

Signature page to Section 236(e)(2) Use Agreement for Suncrest Apartments

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: ______________________________

Director, Multifamily Housing Division, HUD

EXHIBIT H

DRAFT IRP AGREEMENT

(ATTACHED)

AGREEMENT FOR INTEREST REDUCTION PAYMENTS

THIS AGREEMENT, made this ____ day of ____________, 2008, by SOUND PRESERVATION 105 LP, a Texas limited partnership (hereinafter called "Borrower"), PNC BANK, NATIONAL ASSOCIATION, a national banking association (hereinafter called "Lender"), the SECRETARY OF HOUSING AND URBAN DEVELOPMENT, acting by and through the Federal Housing Commissioner (hereinafter called the "Secretary") and TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (hereinafter called the "Public Agency").

WITNESSETH

WHEREAS, the Secretary is authorized under Section 236 of the National Housing Act, as amended, (hereinafter referred to as "Section 236") to make interest reduction payments (hereinafter referred to as "IRP") to a rental or cooperative housing project, which has a mortgage which is insured under subsection (j), or upon such mortgage's being assigned to HUD, and has implemented this authority by regulation for projects owned by non-profit mortgagors, builder-seller mortgagors, limited distribution mortgagors, cooperative and investor sponsor mortgagors, and public mortgagors;

WHEREAS, the Secretary is authorized under Section 236 (b) to make IRP to lenders in the section 236 non-insured program for the benefit of rental or cooperative housing projects owned by private non-profit corporations or other private non-profit entities, limited dividend corporations or other limited dividend entities, public entities, or cooperative housing corporations, which we financed under a state or local program providing assistance through loans, loan insurance, or tax abatements;

WHEREAS, Federal National Mortgage Association, was the mortgagee of record for that certain Mortgage dated April 18, 1974 and recorded on April 18, 1974, in the official land records of El Paso County, Texas, as amended by that certain Modification Agreement dated November 20, 1975 and recorded on November 20, 1975, in the official land records of El Paso Country, Texas (the "236 Mortgage"); and such Mortgage is being prepaid and the refinanced debt has resulted in a mortgage held by Lender, the successor mortgagee, being placed upon the property dated ______________________, 2008, and recorded in the official land records of El Paso County, Texas (the "236 (e)(2) Mortgage");

WHEREAS, the Section 236 (e)(2) Mortgage encumbers a multifamily residential rental or cooperative development known as "Suncrest Apartments" (the "Development") located in the City of El Paso, El Paso County, State of Texas and title to which is recorded in Volume ________, Page ________, Real Property Records of El Paso County, Texas.

WHEREAS, pursuant to Section 236(e)(2) of the National Housing Act, added by section 532 of the Departments of Veterans Affairs and Housing and Urban Development, Independent Agencies Appropriations Act, 2000, HUD has the authority to permit a project for which IRP is being made, and for which the mortgage on the project has been refinanced (whether such project is subject to an insured Section 236 mortgage or to a non-insured State Agency Section 236 mortgage) to continue to receive the IRP as long as certain conditions set forth in the statute are met. These include that the owner will continue to operate the project "in accordance with all low-income affordability restrictions for the project in connection with the Federal assistance for the project for a period having a duration that is not less than the term for which such interest reduction payments are made plus an additional 5 years." By "all low-income affordability restrictions" and the word "Federal" before "assistance," Congress meant to cover any low-income affordability restrictions in effect at the project on the date of the refinancing resulting in a prepayment of the Section 236 mortgage, if such restrictions have resulted from Federal, as opposed to, for example, state or local assistance, whether such assistance is presently being provided, or was provided at some point in the past. Examples of affordability restrictions linked to Federal assistance can include, but not be limited to, the Section 236 restrictions governing the use of IRP, use restrictions on projects that were preservation eligible and received preservation incentives pursuant to an approved plan of action, use restrictions deriving from tax credits, etc.

WHEREAS, pursuant to Section 236(e)(2), which provides that the IRP shall continue under subsection (e)(2) "under the terms of the contract for such payments," the IRP can continue if an insured project is being refinanced, on the condition that the ownership entity would have been an eligible ownership entity prior to the refinancing, and further, because subsection (e)(2) is a part of the Section 236 statute, the IRP can only continue if Section 236 statutory and regulatory requirements continue to operate, such as the establishment of the operative rent, including calculation of a basic rental charge and a fair market rental charge, the return to HUD, where appropriate, of excess income, the calculation of the amount of the IRP, etc.

WHEREAS, the 236 Mortgage has been security for that certain loan which is evidenced by a Mortgage Note in the original principal amount of $1,550,800.00 dated April 18, 1974 (the "236 Mortgage Note") which was made pursuant to Section 236, and as such, is subsidized in whole or in part with IRP made by the Secretary to the mortgagee of record, with payments made as shown on the payment schedule attached hereto as Exhibit A; and

WHEREAS, the Mortgagor and successor mortgagee, i.e., Lender, desire that the IRP under Section 236 continue, pursuant to the authority of Section 236(e)(2) after refinancing resulting in a prepayment of the 236 Mortgage Note, and replacement by a successor Mortgage Note; and

WHEREAS, pursuant to the provisions set forth in 24 CFR Part 236, the Secretary made interest reduction payments to the mortgagee, and upon prepayment of the Section 236 Mortgage, the successor mortgagee, hereafter called "Lender," must enter into an IRP contract with the Secretary in order for IRP payments to continue pursuant to the authority of Section 236(e)(2); and

WHEREAS, the Public Agency is willing to undertake the administrative duties required by Section 236 with respect to the Development pursuant to this IRP contract between the Borrower, Lender, Public Agency and HUD, which involves the Public Agency's supervision of the performance of the parties to this IRP contract, and, in the event of any violations thereof, the timely notification to HUD of the nature of any non-performance.

WHEREAS, the dividends payable to the Borrower shall, if the mortgagor is a limited dividend mortgagor, be limited pursuant to the terms and provisions of this Agreement. If prior to the Section 236(e)(2) transaction, the mortgagor was a limited dividend mortgagor with a Section 236 insured mortgage, then upon completion of the transaction it remains controlled by the regulatory provision at 24 CFR 236.50 (rev. as of April 1, 1995), and saved by the current 24 CFR 236.1(c), which among other things provides that the "amount of any allowable distribution, or disbursement from surplus cash shall not exceed in any one fiscal year more than 6 percent of the mortgagor's initial equity investment in the project, as determined by the Federal Housing Commissioner." If prior to the Section 236(e)(2) transaction, the mortgagor was a limited dividend mortgagor with a Section 236 state-agency, non-insured mortgage, then the extent of any limitation on distributions is not controlled by the section 236 regulation, but rather, is controlled by state or local law.

In either of the cases referred to in the paragraph above, in the event that there is Section 8 at the project and the mortgagor is a limited distribution mortgagor, such mortgagor may also be governed by a section 8 regulation governing the amount of the distribution. The current approved distribution is $__________ per year.

NOW THEREFORE, the Secretary, the Lender, the Borrower and the Public Agency hereby agree to enter into this Agreement to reflect the continuation of the IRP for the benefit of the Development after prepayment of the Section 236 Mortgage to cover the successor Section 236(e)(2) Mortgage held by the Lender, and further agree as follows:

1. The loan amortization terms of the Section 236 Mortgage Note, attached hereto as <u>Exhibit A</u>, had been submitted to and approved by the Secretary when the loan was initially insured by the Secretary for the aforesaid maximum amount of the loan which was attributable to the cost of subsidized dwelling units (as such term is defined below).

2. The successor mortgagee, i.e., Lender, represents that the Development consists of 100 dwelling units comprised of 0 zero-bedroom units, 16 one-bedroom units, 32 two-bedroom units, 36 three-bedroom units, and 16 four-bedroom units.

3. The Secretary previously reserved an amount for annual interest reduction payments to be paid under the terms of the IRP contract, which schedule of payments is set forth in Exhibit A attached hereto. The Secretary shall now make IRP on a monthly basis in equal monthly installments based upon the successor Mortgage Note, but in no event can the IRP exceed the amounts set forth in Exhibit A attached hereto for the month and year so designated; notwithstanding the forgoing, in no event shall the annual interest reduction subsidy exceed $71,389.68 in any given year. To the extent the IRP paid, pursuant to the successor Mortgage Note is less annually than the IRP paid under the predecessor Mortgage Note, un-utilized IRP moneys, after the term of the amortization schedule for predecessor Mortgage Note, can be used to help subsidize the successor Mortgage Note for an additional period of time. In no event can more IRP be paid out by HUD in the aggregate under the successor Mortgage Note than would have been paid out if the 236 Mortgage Note had not been prepaid. The successor IRP payment schedule for the Section 236(e)(2) mortgage note is set forth in Exhibit B.

4. The term of this Agreement for IRP shall begin on the date on which the Lender enters into the successor Mortgage Note. The initial IRP shall be due on the first day of the first month following the date on which the Lender enters into the successor Mortgage Note. All IRP made hereunder shall be made upon receipt of a billing containing representations of facts by the Lender on a form prescribed by the Secretary. If the Secretary finds that an IRP payment or payments made to the Public Agency have been excessive because of inaccurate facts contained in the Lender's billing or other cause, the Lender shall be obligated immediately to refund the amount that was overpaid. Adjustments in the IRP shall also be made in the event

a subsidized dwelling unit is destroyed or rendered not habitable for any reason, unless said unit is restored or rehabilitated within a reasonable time (or in the case of a project that had been a non-insured section 236(b) project, prior to the refinancing pursuant to section 236(e)(2), unless an unsubsidized unit is designated in its place).

5. The Borrower covenants and agrees with respect to each subsidized dwelling unit of the Development that:

    (a) Unless HUD agrees to permit a basic rental charge and fair market rental charge pursuant to 236(f)(1)(A)(ii)(II) and (iii)(II), the Borrower covenants and agrees with respect to each subsidized dwelling unit of the Development that the Borrower has established or shall establish for each such dwelling unit (i) a basic rental charge determined on the basis of operating the Development with even monthly payments of principal and interest with respect to the 236 Mortgage Note, bearing interest at one percent per annum for an amortization period set forth in the 236 Mortgage Note, and (ii) a fair market rental charge determined on the basis of operating the Development with even monthly payments of principal and interest and fees and charges (or mortgage insurance premium if mortgage insurance is involved) with respect to the 236 Mortgage Note as approved by the Secretary based upon an amortization period set forth in the 236 Mortgage Note. (Payments required to be made under the 236(e)(2) Mortgage Note described above may be included in the cost of "operating the Development" for the purpose of the foregoing rental calculation.) Such basic rental charges and fair market rental charges, as approved by the Lender, will be provided to the Secretary for HUD's approval.

    (b) Any revisions in the basic rental or fair market rental for any subsidized dwelling unit shall be approved by the Lender and shall be submitted to HUD for its approval, as further provided below in this paragraph (b). The Lender shall approve rental revisions in conformity with applicable Federal statutes, HUD regulations and directives and applicable state law and regulations, and shall notify the Secretary in writing of every such revision. The Secretary shall not unreasonably withhold its approval of rent revisions approved by the Lender. Notice of approval or disapproval of any revision by the Secretary shall be given within thirty days of the date of receipt of the Lender's notification to the Secretary of the revision. The Lender has furnished the Secretary copies of such State and local laws and regulations and shall inform him of any changes in such laws and regulations.

(c) The Section 236 rent charged for each subsidized unit plus utility allowance, which includes all utilities except telephone, will be equal to 30% of the tenant's adjusted annual income or the basic rental, whichever is greater, but in no event is the rental charged to exceed the fair market rental.

(d) The Borrower shall limit admission to those families whose incomes do not exceed the lower of the applicable income limits that are set by the Secretary pursuant to the Section 236 Regulations and applicable program requirements or by a state or local Agency if the mortgage was originally a Section 236 non-insured mortgage prior to the Section 236(e)(2) refinancing, and such state or local Agency remains the lender after the refinancing. If the state or local agency is not the lender after the refinancing, the income limits set by the Secretary pursuant to the Section 236 regulations and applicable program requirements for Section 236 insured mortgages shall apply in this situation. The Borrower shall comply with the provision of any applicable federal, state or local law prohibiting discrimination in housing on the ground of race, ancestry, color, creed, national origin, disability, marital status, familial status, age or sex, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241, 42 U.S.C. 2000d, et seq.), the Fair Housing Act (Title VIII of the Civil rights Act of 1968, as amended, 42 U.S.C. 3535(d), 3600-3620), section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and all requirements imposed pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR Part 107) issued pursuant to Executive Order 11063. The Borrower shall require that contractors and subcontractors engaged in the construction or rehabilitation of the Development provide equal opportunity for employment without discrimination as to race, sex, marital status, color, disability, religion, national origin or ancestry.

(e) The Borrower shall not restrict occupancy by reason of the fact that there are children in the family, unless the Development, or a portion thereof, has been designed for an elderly family. A project or portion of a project designed for the elderly can be restricted to a family where the head of household or spouse is 62 years of age or older. For such project or portion of a project, a single person 62 years of age or older shall be deemed a family. In no case, however, can an elderly family be discriminated against in admissions because of children in that family who are 18 years of age or younger.

(f) No tenant of a subsidized dwelling unit shall be permitted to rent more than one unit in the Development at any given time without the prior written approval of the Secretary and the Public Agency.

(g) On forms approved by the Lender and the Public Agency, the Borrower shall obtain from each prospective tenant of a subsidized dwelling unit a certification of income and an annual recertification of income from all such tenants who are paying less than fair market rental.

(h) In a manner prescribed by the Lender and Public Agency, the Borrower shall obtain written evidence substantiating the information given on such tenants' annual recertifications and shall retain the evidence in its files for three years. If any annual recertification reveals a change in adjusted income whereby such a tenant would be eligible for a lower or higher rent, such adjustment in rent charged shall be made, provided that the adjusted rent for any such unit shall be the basic rental or an amount equal to 30% of the tenant's income, whichever is greater, but shall never exceed fair market rental.

(i) Except to the extent that the Secretary has specifically authorized the Borrower to retain such amounts, the Borrower shall remit to the Secretary on or before the tenth day of each month the amount by which the rent collected on each subsidized dwelling unit exceeds the approved basic rental for each unit, if any, in the same manner as prescribed for similar Section 236 projects, which remittance shall be accompanied by a monthly report on a form approved by the Secretary. A monthly report shall be filed and a copy forwarded to the Public Agency even if no remittance is required. In no event will the excess rents directly or indirectly flow back to the Project unless authorized by HUD. Neither the Lender nor the Public Agency shall have any direct or indirect responsibility relating to the collection and/or remittance of Section 236 excess payments, provided, however, the Public Agency shall retain the right to enforce such collection against the Borrower to assure that the interest reduction payments are not terminated under paragraph 7 hereof.

(j) The Borrower shall maintain accurate records and accounts in such form and manner as the Public Agency may prescribe, including compliance with Subpart H of Part 205 of Title 24, of the Code of Federal regulations and shall make such records and accounts available for inspection and audit by the Secretary at any time.

(k) The Borrower shall not sell, convey or transfer the Development, except to a purchaser who is approved by the Secretary (and by the Lender if the mortgage is not HUD-insured, or if such Lender consent is otherwise required), and is entitled to participation under Section 236(e)(2) and who assumes the duties and obligations under this Agreement.

(l) Subject to HUD requirements, each of the dwelling units in the Project shall be available for rental to members of the general public. None of the dwelling units in the Project shall at any time be utilized on a transient basis, shall ever be leased or rented for less than thirty (30) days or shall ever be used for other than housing purposes. The Project shall not be used as a hotel, motel, dormitory, fraternity, sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or court for use on a transient basis.

(m) The borrower will not initiate or cause any involuntary displacement of a tenant (except for cause as set out in the tenant's lease) due to this transaction or any financing, LIHTC, or state or local agency requirements.

(n) The Borrower will, at all times, maintain the property in a condition which is decent, safe and sanitary, and in good repair in accord with Subpart G of Part 205 of Title 24, of the Code of Federal Regulations.

6. The Lender covenants and agrees that without the prior written approval of the Secretary it will not assign the 236 (e)(2) Mortgage or the 236 (e)(2) Mortgage Note; except that, in connection with any new financing, the Lender may assign or pledge the 236 (e) (2) Mortgage, and/or the 236 (e)(2) Mortgage Note, this Agreement, and the proceeds of payments hereunder and its rights hereunder as security to its noteholders or bondholders or to a trustee without such prior written approval of the Secretary, or sell a participation interest in the 236 (e)(2) Mortgage and the 236 Mortgage (e)(2) Note to a trustee, so long as the Lender shall remain the record holder of the 236 (e)(2) Mortgage.

7. (a) The Secretary shall terminate payments under this Agreement if

(i) the 236 (e) (2) Mortgage is extinguished;

(ii) the Project ceases to be owned by an eligible owner;

(iii) the Lender is no longer mortgagee of record and the Secretary has not approved the Lender's successor as mortgagee of record; or,

(iv) the Public Agency does not meet its obligation to monitor the operation and condition of the Project pursuant to Section 236 or does not certify, in a manner acceptable to the Secretary, that it is satisfying this requirement.

(b) The Secretary shall have the discretion to terminate IRP at any time under this Agreement if either of the following events occurs:

(i) Upon default by the Borrower or the Lender, if applicable, under any provision of this Agreement; or

(ii) If an action of foreclosure is instituted by the Lender, except in the event the Lender:

(1) gives to the Secretary advance written notice of its intention to institute such foreclosure; and

(2) submits to the Secretary in advance a plan, acceptable to the Secretary, and the Public Agency if the Lender is not-HUD-approved , providing for continued eligibility of the Development for receiving the benefits of Section 236;

(c) The Secretary shall have the discretion to decrease the amount of the monthly I IRP payment if the number of units in the project available for rental by tenants also decreases. Any such decrease in the IRP payment shall be, to the extent possible, in proportion to the decrease in the available units. In the event the Secretary deems necessary the termination or decrease of payments under this Agreement, he shall give prior written notice thereof to the parties indicated in Paragraph 12 hereof stating the reasons therefor and providing for a reasonable period to cure.

8. If interest reduction payments are terminated or to be terminated pursuant to Paragraph 7 herein, such payments may be reinstated or continued by the Secretary at his discretion and on such conditions as he may prescribe.

9. This Agreement shall terminate (a) when the 236(e)(2) Mortgage Note is paid in full, or (b) at the option of, and upon written notice from the Secretary after the expiration of one year from the date of the termination of payments in accordance with Paragraph 7 hereof, unless such payments have been reinstated in accordance with Paragraph 8.

10. Except as provided under Paragraphs 5(k) and 6 of this Agreement, the rights and obligations under this contract are not assignable by the Borrower, Lender, or Public Agency without prior written approval of the Secretary. In the event of any assignment not permitted hereunder, the IRP shall terminate unless the Secretary agrees in writing to reinstate them.

11. The Borrower is an eligible mortgagor for purposes of Section 236(e)(2).

12. Except as otherwise provided herein, all notices, demands, requests, instructions, certifications and any other form of communication required or permitted to be given hereunder in order to be binding on the recipient must be given in writing addressed as follows (or to such other address as any party hereto shall specify by notice to the other parties):

If to HUD: Department of Housing and Urban Development
[________________________________]

If to the Lender: PNC Bank, National Association
[________________________________]

If to the Borrower: Sound Preservation 105 LP
c/o Security Properties, Inc.
1201 Third Avenue, Suite 5400
Seattle, Washington 98101-3031
Attention: John Orehek

If to the Public Agency: Texas Department of Housing and Community Affairs
[________________________________]

13. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

14. The Mortgagor agrees to accept Section 8 project-based assistance, or project based assistance from any successor program, on the same terms and conditions as the existing Section 8 assistance for as long as this assistance is offered by the Secretary during the remaining term of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have set their hands and as of the day and year above written.

BORROWER:

SOUND PRESERVATION 105 LP,
a Texas limited partnership

By: Sound Preservation 105 LLC,
a Washington limited liability company,
its General Partner

By: Madrona Tax Credit Owner LLC,
a Washington limited liability company,
its Manager

By: ______________________________
John Orehek
Manager

Signature page for Suncrest Apartments Interest Reduction Payments Agreement.

LENDER:

PNC Bank, National Association,
a national banking association

By: ______________________________
Name:
Title:

Signature page for Suncrest Apartments Interest Reduction Payments Agreement.

PUBLIC AGENCY:

Texas Department of Housing and Community Affairs

By: ______________________________
Name:
Title:

Signature page for Suncrest Apartments Interest Reduction Payments Agreement.

HUD:

SECRETARY OF HOUSING AND URBAN DEVELOPMENT acting by and through the FEDERAL HOUSING COMMISSIONER

By: ____________________________

Its: Authorized Agent

Exhibit A

IRP Schedule

Amortization Schedule of pre-refinanced 236 Loan, including
Amount and Term of Interest Reduction Payments

(Attached)

FHA FORM NO. 2037-A
(PREMIUMS ON
REDUCING BALANCES)

42-462773

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 1%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000	9,648.25	5,941.36	477	1,550,800.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
			$7,734.01*				
JAN	1976	1	$641.27	$9,046.33	$601.92	$6,348.16	$1,550,198.08
FEB	1976	2	641.27	9,042.82	605.43	6,348.16	1,549,592.65
MAR	1976	3	641.27	9,039.29	608.96	6,348.16	1,548,983.69
APR	1976	4	641.27	9,035.74	612.51	6,348.16	1,548,371.18
MAY	1976	5	641.27	9,032.17	616.08	6,348.16	1,547,755.10
JUN	1976	6	641.27	9,028.57	619.68	6,348.16	1,547,135.42
JUL	1976	7	641.27	9,024.96	623.29	6,348.16	1,546,512.13
AUG	1976	8	641.27	9,021.32	626.93	6,348.16	1,545,885.20
SEP	1976	9	641.27	9,017.66	630.59	6,348.16	1,545,254.61
OCT	1976	10	641.27	9,013.99	634.26	6,348.16	1,544,620.35
NOV	1976	11	641.27	9,010.29	637.96	6,348.16	1,543,982.39
DEC	1976	12	641.30	9,006.56	641.69	6,348.19	1,543,340.70
		TOTAL	$7,695.27*	$108,319.70	$7,459.30	$76,177.95	
JAN	1977	13	$637.81	$9,002.82	$645.43	$6,344.70	$1,542,695.27
FEB	1977	14	637.81	8,999.06	649.19	6,344.70	1,542,046.08
MAR	1977	15	637.81	8,995.27	652.98	6,344.70	1,541,393.10
APR	1977	16	637.81	8,991.46	656.79	6,344.70	1,540,736.31
MAY	1977	17	637.81	8,987.63	660.62	6,344.70	1,540,075.69
JUN	1977	18	637.81	8,983.77	664.48	6,344.70	1,539,411.21
JUL	1977	19	637.81	8,979.90	668.35	6,344.70	1,538,742.86
AUG	1977	20	637.81	8,976.00	672.25	6,344.70	1,538,070.61
SEP	1977	21	637.81	8,972.08	676.17	6,344.70	1,537,394.44
OCT	1977	22	637.81	8,968.13	680.12	6,344.70	1,536,714.32
NOV	1977	23	637.81	8,964.17	684.08	6,344.70	1,536,030.24
DEC	1977	24	637.82	8,960.18	688.07	6,344.71	1,535,342.17
		TOTAL	$7,653.73*	$107,780.47	$7,998.53	$76,136.41	
JAN	1978	25	$634.10	$8,956.16	$692.09	$6,340.99	$1,534,650.08
FEB	1978	26	634.10	8,952.13	696.12	6,340.99	1,533,953.96
MAR	1978	27	634.10	8,948.06	700.19	6,340.99	1,533,253.77
APR	1978	28	634.10	8,943.98	704.27	6,340.99	1,532,549.50
MAY	1978	29	634.10	8,939.87	708.38	6,340.99	1,531,841.12
JUN	1978	30	634.10	8,935.74	712.51	6,340.99	1,531,128.61
JUL	1978	31	634.10	8,931.58	716.67	6,340.99	1,530,411.94
AUG	1978	32	634.10	8,927.40	720.85	6,340.99	1,529,691.09
SEP	1978	33	634.10	8,923.20	725.05	6,340.99	1,528,966.04
OCT	1978	34	634.10	8,918.97	729.28	6,340.99	1,528,236.76
NOV	1978	35	634.10	8,914.71	733.54	6,340.99	1,527,503.22
DEC	1978	36	634.08	8,910.44	737.81	6,340.97	1,526,765.41
		TOTAL	$7,609.18*	$107,202.24	$8,576.76	$76,091.86	
JAN	1979	37	$630.12	$8,906.13	$742.12	$6,337.01	$1,526,023.29
FEB	1979	38	630.12	8,901.80	746.45	6,337.01	1,525,276.84
MAR	1979	39	630.12	8,897.45	750.80	6,337.01	1,524,526.04
APR	1979	40	630.12	8,893.07	755.18	6,337.01	1,523,770.86
MAY	1979	41	630.12	8,888.66	759.59	6,337.01	1,523,011.27
JUN	1979	42	630.12	8,884.23	764.02	6,337.01	1,522,247.25
JUL	1979	43	630.12	8,879.78	768.47	6,337.01	1,521,478.78
AUG	1979	44	630.12	8,875.29	772.96	6,337.01	1,520,705.82
SEP	1979	45	630.12	8,870.78	777.47	6,337.01	1,519,928.35
OCT	1979	46	630.12	8,866.25	782.00	6,337.01	1,519,146.35
NOV	1979	47	630.12	8,861.69	786.56	6,337.01	1,518,359.79
DEC	1979	48	630.10	8,857.10	791.15	6,336.99	1,517,568.64
		TOTAL	$7,561.42*	$106,582.23	$9,196.77	$76,044.10	
JAN	1980	49	$625.85	$8,852.48	$795.77	$6,332.74	$1,516,772.87
FEB	1980	50	625.85	8,847.84	800.41	6,332.74	1,515,972.46
MAR	1980	51	625.85	8,843.17	805.08	6,332.74	1,515,167.38
APR	1980	52	625.85	8,838.48	809.77	6,332.74	1,514,357.61
MAY	1980	53	625.85	8,833.75	814.50	6,332.74	1,513,543.11
JUN	1980	54	625.85	8,829.00	819.25	6,332.74	1,512,723.86
JUL	1980	55	625.85	8,824.22	824.03	6,332.74	1,511,899.83
AUG	1980	56	625.85	8,819.42	828.83	6,332.74	1,511,071.00
SEP	1980	57	625.85	8,814.58	833.67	6,332.74	1,510,237.33
OCT	1980	58	625.85	8,809.72	838.53	6,332.74	1,509,398.80
NOV	1980	59	625.85	8,804.83	843.42	6,332.74	1,508,555.38
DEC	1980	60	625.85	8,799.91	848.34	6,332.74	1,507,707.04
		TOTAL	$7,510.20*	$105,917.90	$9,861.10	$75,992.88	

* ANNUAL M.I.P.

FHA FORM NO. 2037-A
(PREMIUMS ON
REDUCING BALANCES)

460002868

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION
AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 1%	TERM IN MONTHS	FACE AMOUNT
133-45037	7.00000	9,648.25	3,941.36	477	1,550,400.00

DUE DATE MONTH	DUE DATE YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	1981	61	$621.27	$8,794.96	$853.29	$6,328.16	$1,506,853.75
FEB	1981	62	621.27	8,789.98	858.27	6,328.16	1,505,995.48
MAR	1981	63	621.27	8,784.97	863.28	6,328.16	1,505,132.20
APR	1981	64	621.27	8,779.94	868.31	6,328.16	1,504,263.89
MAY	1981	65	621.27	8,774.87	873.38	6,328.16	1,503,390.51
JUN	1981	66	621.27	8,769.78	878.47	6,328.16	1,502,512.04
JUL	1981	67	621.27	8,764.65	883.60	6,328.16	1,501,628.44
AUG	1981	68	621.27	8,759.50	888.75	6,328.16	1,500,739.69
SEP	1981	69	621.27	8,754.31	893.94	6,328.16	1,499,845.75
OCT	1981	70	621.27	8,749.10	899.15	6,328.16	1,498,946.60
NOV	1981	71	621.27	8,743.86	904.39	6,328.16	1,498,042.21
DEC	1981	72	621.31	8,738.58	909.67	6,328.20	1,497,132.54
		TOTAL	$7,455.28*	$105,204.50	$10,674.50	$75,937.96	
JAN	1982	73	$616.37	$8,733.27	$914.98	$6,323.26	$1,496,217.56
FEB	1982	74	616.37	8,727.94	920.31	6,323.26	1,495,297.25
MAR	1982	75	616.37	8,722.57	925.68	6,323.26	1,494,371.57
APR	1982	76	616.37	8,717.17	931.08	6,323.26	1,493,440.49
MAY	1982	77	616.37	8,711.74	936.51	6,323.26	1,492,503.98
JUN	1982	78	616.37	8,706.27	941.98	6,323.26	1,491,562.00
JUL	1982	79	616.37	8,700.78	947.47	6,323.26	1,490,614.53
AUG	1982	80	616.37	8,695.25	953.00	6,323.26	1,489,661.53
SEP	1982	81	616.37	8,689.69	958.56	6,323.26	1,488,702.97
OCT	1982	82	616.37	8,684.10	964.15	6,323.26	1,487,738.82
NOV	1982	83	616.37	8,678.48	969.77	6,323.26	1,486,769.05
DEC	1982	84	616.32	8,672.82	975.43	6,323.21	1,485,793.62
		TOTAL	$7,396.39*	$104,440.08	$11,338.92	$75,879.07	
JAN	1983	85	$611.10	$8,667.13	$981.12	$6,317.99	$1,484,812.50
FEB	1983	86	611.10	8,661.41	986.84	6,317.99	1,483,825.66
MAR	1983	87	611.10	8,655.65	992.60	6,317.99	1,482,833.06
APR	1983	88	611.10	8,649.86	998.39	6,317.99	1,481,834.67
MAY	1983	89	611.10	8,644.04	1,004.21	6,317.99	1,480,830.46
JUN	1983	90	611.10	8,638.18	1,010.07	6,317.99	1,479,820.39
JUL	1983	91	611.10	8,632.29	1,015.96	6,317.99	1,478,804.43
AUG	1983	92	611.10	8,626.36	1,021.89	6,317.99	1,477,782.54
SEP	1983	93	611.10	8,620.40	1,027.85	6,317.99	1,476,754.69
OCT	1983	94	611.10	8,614.40	1,033.85	6,317.99	1,475,720.84
NOV	1983	95	611.10	8,608.37	1,039.88	6,317.99	1,474,680.96
DEC	1983	96	611.14	8,602.31	1,045.94	6,318.03	1,473,635.02
		TOTAL	$7,333.24*	$103,620.40	$12,158.60	$75,815.92	
JAN	1984	97	$605.46	$8,596.20	$1,052.05	$6,312.35	$1,472,582.97
FEB	1984	98	605.46	8,590.07	1,058.18	6,312.35	1,471,524.79
MAR	1984	99	605.46	8,583.89	1,064.36	6,312.35	1,470,460.43
APR	1984	100	605.46	8,577.69	1,070.56	6,312.35	1,469,389.87
MAY	1984	101	605.46	8,571.44	1,076.81	6,312.35	1,468,313.06
JUN	1984	102	605.46	8,565.16	1,083.09	6,312.35	1,467,229.97
JUL	1984	103	605.46	8,558.84	1,089.41	6,312.35	1,466,140.56
AUG	1984	104	605.46	8,552.49	1,095.76	6,312.35	1,465,044.80
SEP	1984	105	605.46	8,546.09	1,102.16	6,312.35	1,463,942.64
OCT	1984	106	605.46	8,539.67	1,108.58	6,312.35	1,462,834.06
NOV	1984	107	605.46	8,533.20	1,115.05	6,312.35	1,461,719.01
DEC	1984	108	605.47	8,526.69	1,121.56	6,312.36	1,460,597.45
		TOTAL	$7,265.53*	$102,741.43	$13,037.57	$75,748.21	
JAN	1985	109	$599.41	$8,520.15	$1,128.10	$6,306.30	$1,459,469.35
FEB	1985	110	599.41	8,513.57	1,134.68	6,306.30	1,458,334.67
MAR	1985	111	599.41	8,506.95	1,141.30	6,306.30	1,457,193.37
APR	1985	112	599.41	8,500.29	1,147.96	6,306.30	1,456,045.41
MAY	1985	113	599.41	8,493.60	1,154.65	6,306.30	1,454,890.76
JUN	1985	114	599.41	8,486.86	1,161.39	6,306.30	1,453,729.37
JUL	1985	115	599.41	8,480.09	1,168.16	6,306.30	1,452,561.21
AUG	1985	116	599.41	8,473.27	1,174.98	6,306.30	1,451,386.23
SEP	1985	117	599.41	8,466.42	1,181.83	6,306.30	1,450,204.40
OCT	1985	118	599.41	8,459.53	1,188.72	6,306.30	1,449,015.68
NOV	1985	119	599.41	8,452.59	1,195.66	6,306.30	1,447,820.02
DEC	1985	120	599.41	8,445.62	1,202.63	6,306.30	1,446,617.39
		TOTAL	$7,192.92*	$101,778.94	$13,980.06	$75,675.60	

* ANNUAL M.I.P.

FHA FORM NO. 2037-A
(PREMIUMS ON
REDUCING BALANCES)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 1%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000 %	9,648.25	3,941.36	477	1,550,600.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	1986	121	$592.92	$8,438.60	$1,209.65	$6,299.81	$1,445,407.74
FEB	1986	122	592.92	8,431.55	1,216.70	6,299.81	1,444,191.04
MAR	1986	123	592.92	8,424.45	1,223.80	6,299.81	1,442,967.24
APR	1986	124	592.92	8,417.31	1,230.94	6,299.81	1,441,736.30
MAY	1986	125	592.92	8,410.13	1,238.12	6,299.81	1,440,498.18
JUN	1986	126	592.92	8,402.91	1,245.34	6,299.81	1,439,252.84
JUL	1986	127	592.92	8,395.64	1,252.61	6,299.81	1,438,000.23
AUG	1986	128	592.92	8,388.33	1,259.92	6,299.81	1,436,740.31
SEP	1986	129	592.92	8,380.99	1,267.26	6,299.81	1,435,473.05
OCT	1986	130	592.92	8,373.59	1,274.66	6,299.81	1,434,198.39
NOV	1986	131	592.92	8,366.16	1,282.09	6,299.81	1,432,916.30
DEC	1986	132	592.94	8,358.68	1,289.57	6,299.83	1,431,626.73
		TOTAL	$7,115.06*	$100,788.34	$14,990.66	$75,597.74	
JAN	1987	133	$585.97	$8,351.16	$1,297.09	$6,292.86	$1,430,329.64
FEB	1987	134	585.97	8,343.59	1,304.66	6,292.86	1,429,024.98
MAR	1987	135	585.97	8,335.98	1,312.27	6,292.86	1,427,712.71
APR	1987	136	585.97	8,328.32	1,319.93	6,292.86	1,426,392.78
MAY	1987	137	585.97	8,320.62	1,327.63	6,292.86	1,425,065.15
JUN	1987	138	585.97	8,312.88	1,335.37	6,292.86	1,423,729.78
JUL	1987	139	585.97	8,305.09	1,343.16	6,292.86	1,422,386.62
AUG	1987	140	585.97	8,297.26	1,350.99	6,292.86	1,421,035.63
SEP	1987	141	585.97	8,289.37	1,358.88	6,292.86	1,419,676.75
OCT	1987	142	585.97	8,281.45	1,366.80	6,292.86	1,418,309.95
NOV	1987	143	585.97	8,273.47	1,374.78	6,292.86	1,416,935.17
DEC	1987	144	585.91	8,265.46	1,382.79	6,292.80	1,415,552.38
		TOTAL	$7,031.58*	$99,704.65	$16,074.35	$75,514.26	
JAN	1988	145	$578.51	$8,257.39	$1,390.86	$6,285.40	$1,414,161.52
FEB	1988	146	578.51	8,249.28	1,398.97	6,285.40	1,412,762.55
MAR	1988	147	578.51	8,241.11	1,407.14	6,285.40	1,411,355.41
APR	1988	148	578.51	8,232.91	1,415.34	6,285.40	1,409,940.07
MAY	1988	149	578.51	8,224.65	1,423.60	6,285.40	1,408,516.47
JUN	1988	150	578.51	8,216.35	1,431.90	6,285.40	1,407,084.57
JUL	1988	151	578.51	8,207.99	1,440.26	6,285.40	1,405,644.31
AUG	1988	152	578.51	8,199.59	1,448.66	6,285.40	1,404,195.65
SEP	1988	153	578.51	8,191.14	1,457.11	6,285.40	1,402,738.54
OCT	1988	154	578.51	8,182.64	1,465.61	6,285.40	1,401,272.93
NOV	1988	155	578.51	8,174.09	1,474.16	6,285.40	1,399,798.77
DEC	1988	156	578.45	8,165.49	1,482.76	6,285.34	1,398,316.01
		TOTAL	$6,942.06*	$98,542.63	$17,234.37	$75,424.74	
JAN	1989	157	$570.51	$8,156.84	$1,491.41	$6,277.40	$1,396,824.60
FEB	1989	158	570.51	8,148.14	1,500.11	6,277.40	1,395,324.49
MAR	1989	159	570.51	8,139.39	1,508.86	6,277.40	1,393,815.63
APR	1989	160	570.51	8,130.59	1,517.66	6,277.40	1,392,297.97
MAY	1989	161	570.51	8,121.74	1,526.51	6,277.40	1,390,771.46
JUN	1989	162	570.51	8,112.83	1,535.42	6,277.40	1,389,236.04
JUL	1989	163	570.51	8,103.88	1,544.37	6,277.40	1,387,691.67
AUG	1989	164	570.51	8,094.87	1,553.38	6,277.40	1,386,138.29
SEP	1989	165	570.51	8,085.81	1,562.44	6,277.40	1,384,575.85
OCT	1989	166	570.51	8,076.69	1,571.56	6,277.40	1,383,004.29
NOV	1989	167	570.51	8,067.53	1,580.72	6,277.40	1,381,423.57
DEC	1989	168	570.46	8,058.30	1,589.95	6,277.35	1,379,833.62
		TOTAL	$6,846.07*	$97,296.61	$18,482.39	$75,328.75	
JAN	1990	169	$561.93	$8,049.03	$1,599.22	$6,268.82	$1,378,234.40
FEB	1990	170	561.93	8,039.70	1,608.55	6,268.82	1,376,625.85
MAR	1990	171	561.93	8,030.32	1,617.93	6,268.82	1,375,007.92
APR	1990	172	561.93	8,020.88	1,627.37	6,268.82	1,373,380.55
MAY	1990	173	561.93	8,011.39	1,636.86	6,268.82	1,371,743.69
JUN	1990	174	561.93	8,001.84	1,646.41	6,268.82	1,370,097.28
JUL	1990	175	561.93	7,992.23	1,656.02	6,268.82	1,368,441.26
AUG	1990	176	561.93	7,982.57	1,665.68	6,268.82	1,366,775.58
SEP	1990	177	561.93	7,972.86	1,675.39	6,268.82	1,365,100.19
OCT	1990	178	561.93	7,963.08	1,685.17	6,268.82	1,363,415.02
NOV	1990	179	561.93	7,953.25	1,695.00	6,268.82	1,361,720.02
DEC	1990	180	561.90	7,943.37	1,704.88	6,268.79	1,360,015.14
		TOTAL	$6,743.13*	$95,960.52	$19,818.48	$75,225.81	

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FHA FORM NO. 2037-A
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 7%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000 %	9,648.25	$3,941.36	477	1,550,600.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	1991	181	$552.73	$7,933.42	$1,714.83	$6,259.62	$1,358,300.31
FEB	1991	182	552.73	7,923.42	1,724.83	6,259.62	1,356,575.48
MAR	1991	183	552.73	7,913.36	1,734.89	6,259.62	1,354,840.59
APR	1991	184	552.73	7,903.24	1,745.01	6,259.62	1,353,095.58
MAY	1991	185	552.73	7,893.06	1,755.19	6,259.62	1,351,340.39
JUN	1991	186	552.73	7,882.82	1,765.43	6,259.62	1,349,574.96
JUL	1991	187	552.73	7,872.52	1,775.73	6,259.62	1,347,799.23
AUG	1991	188	552.73	7,862.16	1,786.09	6,259.62	1,346,013.14
SEP	1991	189	552.73	7,851.74	1,796.51	6,259.62	1,344,216.63
OCT	1991	190	552.73	7,841.26	1,806.99	6,259.62	1,342,409.64
NOV	1991	191	552.73	7,830.72	1,817.53	6,259.62	1,340,592.11
DEC	1991	192	552.73	7,820.12	1,828.13	6,259.62	1,338,763.98
		TOTAL	$6,632.76*	$94,527.84	$21,251.16	$75,115.44	
JAN	1992	193	$542.87	$7,809.46	$1,838.79	$6,249.76	$1,336,925.19
FEB	1992	194	542.87	7,798.73	1,849.52	6,249.76	1,335,075.67
MAR	1992	195	542.87	7,787.94	1,860.31	6,249.76	1,333,215.36
APR	1992	196	542.87	7,777.09	1,871.16	6,249.76	1,331,344.20
MAY	1992	197	542.87	7,766.17	1,882.08	6,249.76	1,329,462.12
JUN	1992	198	542.87	7,755.20	1,893.05	6,249.76	1,327,569.07
JUL	1992	199	542.87	7,744.15	1,904.10	6,249.76	1,325,664.97
AUG	1992	200	542.87	7,733.05	1,915.20	6,249.76	1,323,749.77
SEP	1992	201	542.87	7,721.87	1,926.38	6,249.76	1,321,823.39
OCT	1992	202	542.87	7,710.64	1,937.61	6,249.76	1,319,885.78
NOV	1992	203	542.87	7,699.33	1,948.92	6,249.76	1,317,936.86
DEC	1992	204	542.84	7,687.97	1,960.28	6,249.73	1,315,976.58
		TOTAL	$6,514.41*	$92,991.40	$22,787.40	$74,997.09	
JAN	1993	205	$532.29	$7,676.53	$1,971.72	$6,239.18	$1,314,004.86
FEB	1993	206	532.29	7,665.03	1,983.22	6,239.18	1,312,021.64
MAR	1993	207	532.29	7,653.46	1,994.79	6,239.18	1,310,026.85
APR	1993	208	532.29	7,641.82	2,006.43	6,239.18	1,308,020.42
MAY	1993	209	532.29	7,630.12	2,018.13	6,239.18	1,306,002.29
JUN	1993	210	532.29	7,618.35	2,029.90	6,239.18	1,303,972.39
JUL	1993	211	532.29	7,606.51	2,041.74	6,239.18	1,301,930.65
AUG	1993	212	532.29	7,594.60	2,053.65	6,239.18	1,299,877.00
SEP	1993	213	532.29	7,582.62	2,065.63	6,239.18	1,297,811.37
OCT	1993	214	532.29	7,570.57	2,077.68	6,239.18	1,295,733.69
NOV	1993	215	532.29	7,558.45	2,089.80	6,239.18	1,293,643.89
DEC	1993	216	532.31	7,546.26	2,101.99	6,239.20	1,291,541.90
		TOTAL	$6,387.50*	$91,344.82	$24,434.68	$74,870.18	
JAN	1994	217	$520.95	$7,533.99	$2,114.26	$6,227.84	$1,289,427.64
FEB	1994	218	520.95	7,521.66	2,126.59	6,227.84	1,287,301.05
MAR	1994	219	520.95	7,509.26	2,138.99	6,227.84	1,285,162.06
APR	1994	220	520.95	7,496.78	2,151.47	6,227.84	1,283,010.59
MAY	1994	221	520.95	7,484.23	2,164.02	6,227.84	1,280,846.57
JUN	1994	222	520.95	7,471.60	2,176.65	6,227.84	1,278,669.92
JUL	1994	223	520.95	7,458.91	2,189.34	6,227.84	1,276,480.58
AUG	1994	224	520.95	7,446.14	2,202.11	6,227.84	1,274,278.47
SEP	1994	225	520.95	7,433.29	2,214.96	6,227.84	1,272,063.51
OCT	1994	226	520.95	7,420.37	2,227.88	6,227.84	1,269,835.63
NOV	1994	227	520.95	7,407.37	2,240.88	6,227.84	1,267,594.75
DEC	1994	228	520.97	7,394.30	2,253.95	6,227.86	1,265,340.80
		TOTAL	$6,251.42*	$89,577.90	$26,201.10	$74,734.10	
JAN	1995	229	$508.79	$7,381.15	$2,267.10	$6,215.68	$1,263,073.70
FEB	1995	230	508.79	7,367.93	2,280.32	6,215.68	1,260,793.38
MAR	1995	231	508.79	7,354.63	2,293.62	6,215.68	1,258,499.76
APR	1995	232	508.79	7,341.25	2,307.00	6,215.68	1,256,192.76
MAY	1995	233	508.79	7,327.79	2,320.46	6,215.68	1,253,872.30
JUN	1995	234	508.79	7,314.26	2,333.99	6,215.68	1,251,538.31
JUL	1995	235	508.79	7,300.64	2,347.61	6,215.68	1,249,190.70
AUG	1995	236	508.79	7,286.95	2,361.30	6,215.68	1,246,829.40
SEP	1995	237	508.79	7,273.17	2,375.08	6,215.68	1,244,454.32
OCT	1995	238	508.79	7,259.32	2,388.93	6,215.68	1,242,065.39
NOV	1995	239	508.79	7,245.38	2,402.87	6,215.68	1,239,662.52
DEC	1995	240	508.82	7,231.36	2,416.89	6,215.71	1,237,245.63
		TOTAL	$6,105.51*	$87,683.83	$28,095.17	$74,588.19	

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 1%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000	9,648.25	3,441.36	477	1,660,800.00

DUE DATE MONTH	DUE DATE YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	1996	241	$495.75	$7,217.27	$2,430.98	$6,202.64	$1,234,814.65
FEB	1996	242	495.75	7,203.09	2,445.16	6,202.64	1,232,369.49
MAR	1996	243	495.75	7,188.82	2,459.43	6,202.64	1,229,910.06
APR	1996	244	495.75	7,174.48	2,473.77	6,202.64	1,227,436.29
MAY	1996	245	495.75	7,160.05	2,488.20	6,202.64	1,224,948.09
JUN	1996	246	495.75	7,145.53	2,502.72	6,202.64	1,222,445.37
JUL	1996	247	495.75	7,130.93	2,517.32	6,202.64	1,219,928.05
AUG	1996	248	495.75	7,116.25	2,532.00	6,202.64	1,217,396.05
SEP	1996	249	495.75	7,101.48	2,546.77	6,202.64	1,214,849.28
OCT	1996	250	495.75	7,086.62	2,561.63	6,202.64	1,212,287.65
NOV	1996	251	495.75	7,071.68	2,576.57	6,202.64	1,209,711.08
DEC	1996	252	495.79	7,056.65	2,591.60	6,202.68	1,207,119.48
		TOTAL	$5,949.04*	$85,652.85	$30,126.15	$74,431.72	
JAN	1997	253	$481.77	$7,041.53	$2,606.72	$6,188.66	$1,204,512.76
FEB	1997	254	481.77	7,026.32	2,621.93	6,188.66	1,201,890.83
MAR	1997	255	481.77	7,011.03	2,637.22	6,188.66	1,199,253.61
APR	1997	256	481.77	6,995.65	2,652.60	6,188.66	1,196,601.01
MAY	1997	257	481.77	6,980.17	2,668.08	6,188.66	1,193,932.93
JUN	1997	258	481.77	6,964.61	2,683.64	6,188.66	1,191,249.29
JUL	1997	259	481.77	6,948.95	2,699.30	6,188.66	1,188,549.99
AUG	1997	260	481.77	6,933.21	2,715.04	6,188.66	1,185,834.95
SEP	1997	261	481.77	6,917.37	2,730.88	6,188.66	1,183,104.07
OCT	1997	262	481.77	6,901.44	2,746.81	6,188.66	1,180,357.26
NOV	1997	263	481.77	6,885.42	2,762.83	6,188.66	1,177,594.43
DEC	1997	264	481.79	6,869.30	2,778.95	6,188.68	1,174,815.48
		TOTAL	$5,781.26*	$83,475.00	$32,304.00	$74,263.94	
JAN	1998	265	$466.78	$6,853.09	$2,795.16	$6,173.67	$1,172,020.32
FEB	1998	266	466.78	6,836.79	2,811.46	6,173.67	1,169,208.86
MAR	1998	267	466.78	6,820.39	2,827.86	6,173.67	1,166,381.00
APR	1998	268	466.78	6,803.89	2,844.36	6,173.67	1,163,536.64
MAY	1998	269	466.78	6,787.30	2,860.95	6,173.67	1,160,675.69
JUN	1998	270	466.78	6,770.61	2,877.64	6,173.67	1,157,798.05
JUL	1998	271	466.78	6,753.82	2,894.43	6,173.67	1,154,903.62
AUG	1998	272	466.78	6,736.94	2,911.31	6,173.67	1,151,992.31
SEP	1998	273	466.78	6,719.96	2,928.29	6,173.67	1,149,064.02
OCT	1998	274	466.78	6,702.87	2,945.38	6,173.67	1,146,118.64
NOV	1998	275	466.78	6,685.69	2,962.56	6,173.67	1,143,156.08
DEC	1998	276	466.78	6,668.41	2,979.84	6,173.67	1,140,176.24
		TOTAL	$5,601.36*	$81,139.76	$34,639.24	$74,084.04	
JAN	1999	277	$450.70	$6,651.03	$2,997.22	$6,157.59	$1,137,179.02
FEB	1999	278	450.70	6,633.54	3,014.71	6,157.59	1,134,164.31
MAR	1999	279	450.70	6,615.96	3,032.29	6,157.59	1,131,132.02
APR	1999	280	450.70	6,598.27	3,049.98	6,157.59	1,128,082.04
MAY	1999	281	450.70	6,580.48	3,067.77	6,157.59	1,125,014.27
JUN	1999	282	450.70	6,562.58	3,085.67	6,157.59	1,121,928.60
JUL	1999	283	450.70	6,544.58	3,103.67	6,157.59	1,118,824.93
AUG	1999	284	450.70	6,526.48	3,121.77	6,157.59	1,115,703.16
SEP	1999	285	450.70	6,508.27	3,139.98	6,157.59	1,112,563.18
OCT	1999	286	450.70	6,489.95	3,158.30	6,157.59	1,109,404.88
NOV	1999	287	450.70	6,471.53	3,176.72	6,157.59	1,106,228.16
DEC	1999	288	450.75	6,453.00	3,195.25	6,157.64	1,103,032.91
		TOTAL	$5,408.45*	$78,635.67	$37,143.33	$73,891.13	
JAN	2000	289	$433.47	$6,434.36	$3,213.89	$6,140.36	$1,099,819.02
FEB	2000	290	433.47	6,415.61	3,232.64	6,140.36	1,096,586.38
MAR	2000	291	433.47	6,396.75	3,251.50	6,140.36	1,093,334.88
APR	2000	292	433.47	6,377.79	3,270.46	6,140.36	1,090,064.42
MAY	2000	293	433.47	6,358.71	3,289.54	6,140.36	1,086,774.88
JUN	2000	294	433.47	6,339.52	3,308.73	6,140.36	1,083,466.15
JUL	2000	295	433.47	6,320.22	3,328.03	6,140.36	1,080,138.12
AUG	2000	296	433.47	6,300.81	3,347.44	6,140.36	1,076,790.68
SEP	2000	297	433.47	6,281.28	3,366.97	6,140.36	1,073,423.71
OCT	2000	298	433.47	6,261.64	3,386.61	6,140.36	1,070,037.10
NOV	2000	299	433.47	6,241.88	3,406.37	6,140.36	1,066,630.73
DEC	2000	300	433.42	6,222.01	3,426.24	6,140.31	1,063,204.49
		TOTAL	$5,201.59*	$75,950.58	$39,828.42	$73,684.27	

* ANNUAL M.I.P.

FHA FORM NO. 2097-A
(PREMIUMS ON REDUCING BALANCES)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT ...%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000 %	9,648.25	3,941.36	477	1,650,600.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	2001	301	$414.98	$6,202.03	$3,446.22	$6,121.87	$1,059,758.27
FEB	2001	302	414.98	6,181.92	3,466.33	6,121.87	1,056,291.94
MAR	2001	303	414.98	6,161.70	3,486.55	6,121.87	1,052,805.39
APR	2001	304	414.98	6,141.36	3,506.89	6,121.87	1,049,298.50
MAY	2001	305	414.98	6,120.91	3,527.34	6,121.87	1,045,771.16
JUN	2001	306	414.98	6,100.33	3,547.92	6,121.87	1,042,223.24
JUL	2001	307	414.98	6,079.64	3,568.61	6,121.87	1,038,654.63
AUG	2001	308	414.98	6,058.82	3,589.43	6,121.87	1,035,065.20
SEP	2001	309	414.98	6,037.88	3,610.37	6,121.87	1,031,454.83
OCT	2001	310	414.98	6,016.82	3,631.43	6,121.87	1,027,823.40
NOV	2001	311	414.98	5,995.64	3,652.61	6,121.87	1,024,170.79
DEC	2001	312	415.00	5,974.33	3,673.92	6,121.89	1,020,496.87
		TOTAL	$4,979.78*	$73,071.38	$42,707.62	$73,462.46	
JAN	2002	313	$395.16	$5,952.90	$3,695.35	$6,102.05	$1,016,801.52
FEB	2002	314	395.16	5,931.34	3,716.91	6,102.06	1,013,084.61
MAR	2002	315	395.16	5,909.66	3,738.59	6,102.05	1,009,346.02
APR	2002	316	395.16	5,887.85	3,760.40	6,102.05	1,005,585.62
MAY	2002	317	395.16	5,865.92	3,782.33	6,102.05	1,001,803.29
JUN	2002	318	395.16	5,843.85	3,804.40	6,102.05	997,998.89
JUL	2002	319	395.16	5,821.66	3,826.59	6,102.05	994,172.30
AUG	2002	320	395.16	5,799.34	3,848.91	6,102.06	990,323.39
SEP	2002	321	395.16	5,776.89	3,871.36	6,102.05	986,452.03
OCT	2002	322	395.16	5,754.30	3,893.95	6,102.05	982,558.08
NOV	2002	323	395.16	5,731.59	3,916.66	6,102.05	978,641.42
DEC	2002	324	395.17	5,708.74	3,939.51	6,102.06	974,701.91
		TOTAL	$4,741.93*	$69,904.04	$45,794.96	$73,224.61	
JAN	2003	325	$373.91	$5,685.76	$3,962.49	$6,080.80	$970,739.42
FEB	2003	326	373.91	5,662.65	3,985.60	6,080.80	966,753.82
MAR	2003	327	373.91	5,639.40	4,008.85	6,080.80	962,744.97
APR	2003	328	373.91	5,616.01	4,032.24	6,080.80	958,712.73
MAY	2003	329	373.91	5,592.49	4,055.76	6,080.80	954,656.97
JUN	2003	330	373.91	5,568.83	4,079.42	6,080.80	950,577.55
JUL	2003	331	373.91	5,545.04	4,103.21	6,080.80	946,474.34
AUG	2003	332	373.91	5,521.10	4,127.15	6,080.80	942,347.19
SEP	2003	333	373.91	5,497.03	4,151.22	6,080.80	938,195.97
OCT	2003	334	373.91	5,472.81	4,175.44	6,080.80	934,020.53
NOV	2003	335	373.91	5,448.45	4,199.80	6,080.80	929,820.73
DEC	2003	336	373.88	5,423.95	4,224.30	6,080.77	925,596.43
		TOTAL	$4,486.89*	$66,673.52	$49,105.48	$72,969.57	
JAN	2004	337	$351.12	$5,399.31	$4,248.94	$6,058.01	$921,347.49
FEB	2004	338	351.12	5,374.53	4,273.72	6,058.01	917,073.77
MAR	2004	339	351.12	5,349.60	4,298.65	6,058.01	912,775.12
APR	2004	340	351.12	5,324.52	4,323.73	6,058.01	908,451.39
MAY	2004	341	351.12	5,299.30	4,348.95	6,058.01	904,102.44
JUN	2004	342	351.12	5,273.93	4,374.32	6,058.01	899,728.12
JUL	2004	343	351.12	5,248.41	4,399.84	6,058.01	895,328.28
AUG	2004	344	351.12	5,222.75	4,425.50	6,058.01	890,902.78
SEP	2004	345	351.12	5,196.93	4,451.32	6,058.01	886,451.46
OCT	2004	346	351.12	5,170.97	4,477.28	6,058.01	881,974.18
NOV	2004	347	351.12	5,144.85	4,503.40	6,058.01	877,470.78
DEC	2004	348	351.10	5,118.58	4,529.67	6,057.99	872,941.11
		TOTAL	$4,213.42*	$63,123.68	$52,655.32	$72,696.10	
JAN	2005	349	$326.68	$5,092.16	$4,556.09	$6,033.57	$868,385.02
FEB	2005	350	326.68	5,065.58	4,582.67	6,033.57	863,802.35
MAR	2005	351	326.68	5,038.85	4,609.40	6,033.57	859,192.95
APR	2005	352	326.68	5,011.96	4,636.29	6,033.57	854,556.66
MAY	2005	353	326.68	4,984.91	4,663.34	6,033.57	849,893.32
JUN	2005	354	326.68	4,957.71	4,690.54	6,033.57	845,202.78
JUL	2005	355	326.68	4,930.35	4,717.90	6,033.57	840,484.88
AUG	2005	356	326.68	4,902.83	4,745.42	6,033.57	835,739.46
SEP	2005	357	326.68	4,875.15	4,773.10	6,033.57	830,966.36
OCT	2005	358	326.68	4,847.30	4,800.95	6,033.57	826,165.41
NOV	2005	359	326.68	4,819.30	4,828.95	6,033.57	821,336.46
DEC	2005	360	326.69	4,791.13	4,857.12	6,033.58	816,479.34
		TOTAL	$3,920.17*	$59,317.23	$56,461.77	$72,402.85	

* ANNUAL M.I.P.

FHA FORM NO. 2037-A
(PREMIUMS ON
REDUCING BALANCES)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION
AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT AT 1%	TERM IN MONTHS	FACE AMOUNT
133-44037	7.00000 %	9,648.26	3,941.36	477	1,550,800.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	2006	361	$300.48	$4,762.80	$4,885.45	$6,007.37	$811,593.89
FEB	2006	362	300.48	4,734.30	4,913.95	6,007.37	806,679.94
MAR	2006	363	300.48	4,705.63	4,942.62	6,007.37	801,737.32
APR	2006	364	300.48	4,676.80	4,971.45	6,007.37	796,765.87
MAY	2006	365	300.48	4,647.80	5,000.45	6,007.37	791,765.42
JUN	2006	366	300.48	4,618.63	5,029.62	6,007.37	786,735.80
JUL	2006	367	300.48	4,589.29	5,058.96	6,007.37	781,676.84
AUG	2006	368	300.48	4,559.78	5,088.47	6,007.37	776,588.37
SEP	2006	369	300.48	4,530.10	5,118.15	6,007.37	771,470.22
OCT	2006	370	300.48	4,500.24	5,148.01	6,007.37	766,322.21
NOV	2006	371	300.48	4,470.21	5,178.04	6,007.37	761,144.17
DEC	2006	372	300.45	4,440.01	5,208.24	6,007.34	755,935.93
		TOTAL	$3,605.73*	$55,235.59	$60,593.41	$72,088.41	
JAN	2007	373	$272.38	$4,409.63	$5,238.62	$5,979.27	$750,697.31
FEB	2007	374	272.38	4,379.07	5,269.18	5,979.27	745,428.13
MAR	2007	375	272.38	4,348.33	5,299.92	5,979.27	740,128.21
APR	2007	376	272.38	4,317.41	5,330.84	5,979.27	734,797.37
MAY	2007	377	272.38	4,286.32	5,361.93	5,979.27	729,435.44
JUN	2007	378	272.38	4,255.04	5,393.21	5,979.27	724,042.23
JUL	2007	379	272.38	4,223.58	5,424.67	5,979.27	718,617.56
AUG	2007	380	272.38	4,191.94	5,456.31	5,979.27	713,161.25
SEP	2007	381	272.38	4,160.11	5,488.14	5,979.27	707,673.11
OCT	2007	382	272.38	4,128.09	5,520.16	5,979.27	702,152.95
NOV	2007	383	272.38	4,095.89	5,552.36	5,979.27	696,600.59
DEC	2007	384	272.37	4,063.50	5,584.75	5,979.26	691,015.84
		TOTAL	$3,268.55*	$50,858.91	$64,920.09	$71,751.23	
JAN	2008	385	$242.25	$4,030.93	$5,617.32	$5,949.14	$685,398.52
FEB	2008	386	242.25	3,998.16	5,650.09	5,949.14	679,748.43
MAR	2008	387	242.25	3,965.20	5,683.05	5,949.14	674,065.38
APR	2008	388	242.25	3,932.05	5,716.20	5,949.14	668,349.18
MAY	2008	389	242.25	3,898.70	5,749.55	5,949.14	662,599.63
JUN	2008	390	242.25	3,865.16	5,783.09	5,949.14	656,816.54
JUL	2008	391	242.25	3,831.43	5,816.82	5,949.14	650,999.72
AUG	2008	392	242.25	3,797.50	5,850.75	5,949.14	645,148.97
SEP	2008	393	242.25	3,763.37	5,884.88	5,949.14	639,264.09
OCT	2008	394	242.25	3,729.04	5,919.21	5,949.14	633,344.88
NOV	2008	395	242.25	3,694.51	5,953.74	5,949.14	627,391.14
DEC	2008	396	242.25	3,659.78	5,988.47	5,949.14	621,402.67
		TOTAL	$2,907.00*	$46,165.83	$69,613.17	$71,389.68	
JAN	2009	397	$209.94	$3,624.85	$6,023.40	$5,916.83	$615,379.27
FEB	2009	398	209.94	3,589.71	6,058.54	5,916.83	609,320.73
MAR	2009	399	209.94	3,554.37	6,093.88	5,916.83	603,226.85
APR	2009	400	209.94	3,518.82	6,129.43	5,916.83	597,097.42
MAY	2009	401	209.94	3,483.07	6,165.18	5,916.83	590,932.24
JUN	2009	402	209.94	3,447.10	6,201.15	5,916.83	584,731.09
JUL	2009	403	209.94	3,410.93	6,237.32	5,916.83	578,493.77
AUG	2009	404	209.94	3,374.55	6,273.70	5,916.83	572,220.07
SEP	2009	405	209.94	3,337.95	6,310.30	5,916.83	565,909.77
OCT	2009	406	209.94	3,301.14	6,347.11	5,916.83	559,562.66
NOV	2009	407	209.94	3,264.12	6,384.13	5,916.83	553,178.53
DEC	2009	408	209.98	3,226.87	6,421.38	5,916.87	546,757.15
		TOTAL	$2,519.32*	$41,133.48	$74,645.52	$71,002.00	
JAN	2010	409	$175.30	$3,189.42	$6,458.83	$5,882.19	$540,298.32
FEB	2010	410	175.30	3,151.74	6,496.51	5,882.19	533,801.81
MAR	2010	411	175.30	3,113.84	6,534.41	5,882.19	527,267.40
APR	2010	412	175.30	3,075.73	6,572.52	5,882.19	520,694.88
MAY	2010	413	175.30	3,037.39	6,610.86	5,882.19	514,084.02
JUN	2010	414	175.30	2,998.82	6,649.43	5,882.19	507,434.59
JUL	2010	415	175.30	2,960.04	6,688.21	5,882.19	500,746.38
AUG	2010	416	175.30	2,921.02	6,727.23	5,882.19	494,019.15
SEP	2010	417	175.30	2,881.78	6,766.47	5,882.19	487,252.68
OCT	2010	418	175.30	2,842.31	6,805.94	5,882.19	480,446.74
NOV	2010	419	175.30	2,802.61	6,845.64	5,882.19	473,601.10
DEC	2010	420	175.31	2,762.67	6,885.58	5,882.20	466,715.52
		TOTAL	$2,103.61*	$35,737.37	$80,041.63	$70,586.29	

* ANNUAL M.I.P.

FHA FORM NO. 2097-A
(PREMIUMS ON
REDUCING BALANCES)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - FEDERAL HOUSING ADMINISTRATION

AMORTIZATION SCHEDULE

FHA CASE NUMBER	INTEREST RATE	MONTHLY PAYMENT TO PRINCIPAL AND INTEREST	MONTHLY PAYMENT	TERM IN MONTHS	FACE AMOUNT
133-45037	7.00000 %	9,648.25	$3,941.36	477	1,550,800.00

DUE DATE MONTH	YEAR	PAYMENT NUMBER	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	MONTHLY INTEREST REDUCTION PAYMENT	BALANCE DUE
JAN	2011	421	$138.15	$2,722.51	$6,925.74	$5,845.04	$459,789.78
FEB	2011	422	138.15	2,682.11	6,966.14	5,845.04	452,823.64
MAR	2011	423	138.15	2,641.47	7,006.78	5,845.04	445,816.86
APR	2011	424	138.15	2,600.60	7,047.65	5,845.04	438,769.21
MAY	2011	425	138.15	2,559.49	7,088.76	5,845.04	431,680.45
JUN	2011	426	138.15	2,518.14	7,130.11	5,845.04	424,550.34
JUL	2011	427	138.15	2,476.54	7,171.71	5,845.04	417,378.63
AUG	2011	428	138.15	2,434.71	7,213.54	5,845.04	410,165.09
SEP	2011	429	138.15	2,392.63	7,255.62	5,845.04	402,909.47
OCT	2011	430	138.15	2,350.31	7,297.94	5,845.04	395,611.53
NOV	2011	431	138.15	2,307.73	7,340.52	5,845.04	388,271.01
DEC	2011	432	138.19	2,264.91	7,383.34	5,845.08	380,887.67
		TOTAL	$1,657.84*	$29,951.15	$85,827.85	$70,140.52	
JAN	2012	433	$98.32	$2,221.84	$7,426.41	$5,805.21	$373,461.26
FEB	2012	434	98.32	2,178.52	7,469.73	5,805.21	365,991.53
MAR	2012	435	98.32	2,134.95	7,513.30	5,805.21	358,478.23
APR	2012	436	98.32	2,091.12	7,557.13	5,805.21	350,921.10
MAY	2012	437	98.32	2,047.04	7,601.21	5,805.21	343,319.89
JUN	2012	438	98.32	2,002.70	7,645.55	5,805.21	335,674.34
JUL	2012	439	98.32	1,958.10	7,690.15	5,805.21	327,984.19
AUG	2012	440	98.32	1,913.24	7,735.01	5,805.21	320,249.18
SEP	2012	441	98.32	1,868.12	7,780.13	5,805.21	312,469.05
OCT	2012	442	98.32	1,822.74	7,825.51	5,805.21	304,643.54
NOV	2012	443	98.32	1,777.09	7,871.16	5,805.21	296,772.38
DEC	2012	444	98.33	1,731.17	7,917.08	5,805.22	288,855.30
		TOTAL	$1,179.85*	$23,746.63	$92,032.37	$69,662.53	
JAN	2013	445	$55.61	$1,684.99	$7,963.26	$5,762.50	$280,892.04
FEB	2013	446	55.61	1,638.54	8,009.71	5,762.50	272,882.33
MAR	2013	447	55.61	1,591.81	8,056.44	5,762.50	264,825.89
APR	2013	448	55.61	1,544.82	8,103.43	5,762.50	256,722.46
MAY	2013	449	55.61	1,497.55	8,150.70	5,762.50	248,571.76
JUN	2013	450	55.61	1,450.00	8,198.25	5,762.50	240,373.51
JUL	2013	451	55.61	1,402.18	8,246.07	5,762.50	232,127.44
AUG	2013	452	55.61	1,354.08	8,294.17	5,762.50	223,833.27
SEP	2013	453	55.61	1,305.69	8,342.56	5,762.50	215,490.71
OCT	2013	454	55.61	1,257.03	8,391.22	5,762.50	207,099.49
NOV	2013	455	55.61	1,208.08	8,440.17	5,762.50	198,659.32
DEC	2013	456	55.60	1,158.85	8,489.40	5,762.49	190,169.92
		TOTAL	$667.31*	$17,093.62	$98,685.38	$69,149.99	
JAN	2014	457	$11.83	$1,109.32	$8,538.93	$5,718.72	$181,630.99
FEB	2014	458	11.83	1,059.51	8,588.74	5,718.72	173,042.25
MAR	2014	459	11.83	1,009.41	8,638.84	5,718.72	164,403.41
APR	2014	460	11.83	959.02	8,689.23	5,718.72	155,714.18
MAY	2014	461	11.83	908.33	8,739.92	5,718.72	146,974.26
JUN	2014	462	11.83	857.35	8,790.90	5,718.72	138,183.36
JUL	2014	463	11.83	806.07	8,842.18	5,718.72	129,341.18
AUG	2014	464	11.83	754.49	8,893.76	5,718.72	120,447.42
SEP	2014	465	11.83	702.61	8,945.64	5,718.72	111,501.78
OCT	2014	466	11.83	650.43	8,997.82	5,718.72	102,503.96
NOV	2014	467	11.83	597.94	9,050.31	5,718.72	93,453.65
DEC	2014	468	11.81	545.15	9,103.10	5,718.70	84,350.55
		TOTAL	$141.94*	$9,959.63	$105,819.37	$68,624.62	
JAN	2015	469	$.00	$492.04	$9,156.21	$5,706.89	$75,194.34
FEB	2015	470		438.63	9,209.62	5,706.89	65,984.72
MAR	2015	471		384.91	9,263.34	5,706.89	56,721.38
APR	2015	472		330.87	9,317.38	5,706.89	47,404.00
MAY	2015	473		276.52	9,371.73	5,706.89	38,032.27
JUN	2015	474		221.85	9,426.40	5,706.89	28,605.87
JUL	2015	475		166.87	9,481.38	5,706.89	19,124.49
AUG	2015	476		111.56	9,536.69	5,706.89	9,587.80
SEP	2015	477		55.93	9,587.80		
		TOTAL	$.00*	$2,479.18	$84,350.55	$45,655.12	

* ANNUAL M.I.P.

Exhibit B

IRP Schedule

Amortization Schedule of 236(e)(2) post-refinanced Loan, including Amount and Term of Interest Reduction Payments

Amortization Schedule

Date	Interest Reduction Payments	
Jan-08	5,949.14	
Feb-08	5,949.14	
Mar-08	5,949.14	
Apr-08	5,949.14	
May-08	5,949.14	
Jun-08	5,949.14	
Jul-08	5,949.14	
Aug-08	5,949.14	
Sep-08	5,949.14	
Oct-08	5,949.14	
Nov-08	5,949.14	
Dec-08	5,949.14	
Jan-09	5,916.83	
Feb-09	5,916.83	
Mar-09	5,916.83	
Apr-09	5,916.83	
May-09	5,916.83	
Jun-09	5,916.83	
Jul-09	5,916.83	
Aug-09	5,916.83	
Sep-09	5,916.83	
Oct-09	5,916.83	
Nov-09	5,916.83	
Dec-09	5,916.87	
Jan-10	5,882.19	
Feb-10	5,882.19	
Mar-10	5,882.19	
Apr-10	5,882.19	
May-10	5,882.19	
Jun-10	5,882.19	
Jul-10	5,882.19	
Aug-10	5,882.19	
Sep-10	5,882.19	
Oct-10	5,882.19	
Nov-10	5,882.19	
Dec-10	5,882.20	

Jan-11	5,845.04	
Feb-11	5,845.04	
Mar-11	5,845.04	
Apr-11	5,845.04	
May-11	5,845.04	
Jun-11	5,845.04	
Jul-11	5,845.04	
Aug-11	5,845.04	
Sep-11	5,845.04	
Oct-11	5,845.04	
Nov-11	5,845.04	
Dec-11	5,845.08	
Jan-12	5,805.21	
Feb-12	5,805.21	
Mar-12	5,805.21	
Apr-12	5,805.21	
May-12	5,805.21	
Jun-12	5,805.21	
Jul-12	5,805.21	
Aug-12	5,805.21	
Sep-12	5,805.21	
Oct-12	5,805.21	
Nov-12	5,805.21	
Dec-12	5,805.22	
Jan-13	5,762.50	
Feb-13	5,762.50	
Mar-13	5,762.50	
Apr-13	5,762.50	
May-13	5,762.50	
Jun-13	5,762.50	
Jul-13	5,762.50	
Aug-13	5,762.50	
Sep-13	5,762.50	
Oct-13	5,762.50	
Nov-13	5,762.50	
Dec-13	5,762.49	
Jan-14	5,718.72	
Feb-14	5,718.72	
Mar-14	5,718.72	
Apr-14	5,718.72	

May-14	5,718.72	
Jun-14	5,718.72	
Jul-14	5,718.72	
Aug-14	5,718.72	
Sep-14	5,718.72	
Oct-14	5,718.72	
Nov-14	5,718.72	
Dec-14	5,718.70	
Jan-15	5,706.89	
Feb-15	5,706.89	
Mar-15	5,706.89	
Apr-15	5,706.89	
May-15	5,706.89	
Jun-15	5,706.89	
Jul-15	5,706.89	
Aug-15	5,706.89	
Sep-15	5,706.89	

FHA FORM NO. 3136
Rev. 9/69
(Previous edition obsolete)

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

Please file
Agency

REGULATORY AGREEMENT FOR LIMITED DISTRIBUTION MORTGAGORS UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED

Project No. 133-44037-LD-SUP 81212

Mortgagee HOUSING AMERICA MORTGAGE CO., INC.

Amount of Mortgage Note $1,550,800.00 Date April 18, 1974

Mortgage: Recorded: State Texas County El Paso Date April 18, 1974

Book Page

This Agreement entered into this 18 day of April, 1974,

between EL CORONADO APTS., LTD., a Texas limited partnership, acting herein by and through its three General Partners, Sunnyvale Building Corporation, John E. Musselman, Jr. and Security Properties - '74, whose address is 2151 Fort Worth Avenue, Dallas, Texas,

its ~~xxxx~~ successors, ~~xxxx~~ and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors, acting by and through the Federal Housing Commissioner (hereinafter called Commissioner).

In consideration of the endorsement for insurance by the Commissioner of the above described note or in consideration of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the requirements of Section 236 of the National Housing Act, as amended, and the Regulations adopted by the Commissioner pursuant thereto, Owners agree for themselves, their successors, ~~xxxx~~ and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

1. Owners, except as limited by paragraph 17 hereof, shall promptly make all payments due under the note and mortgage; provided, however, that the Commissioner shall make payments to the mortgagee on behalf of the Owners in accordance with the interest reduction contract between the mortgagee and the Commissioner.

2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Commissioner of an amount equal to $ 515.42 per month unless a different date or amount is approved in writing by the Commissioner. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Commissioner. In the event of a default in the terms of the Mortgage, pursuant to which the loan has been accelerated, the Commissioner may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.

(b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved or required in writing by the Commissioner.

(c) Owners shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts fund by depositing thereto, with the mortgagee, the residual receipts, as defined herein, within 60 days after the end of the semiannual or annual fiscal period within which such receipts are realized. Residual receipts shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner, who shall have the power and authority to direct that the residual receipts, or any part thereof, be used for such purpose as he may determine.

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3. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.

4. The Owners covenant and agree that:

(a) with the prior approval of the Commissioner, they will establish for each dwelling unit (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest under a mortgage bearing interest at one percent and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and mortgage insurance premiums due under the insured mortgage on the project;

(b) the rental charged for each unit, which will include all utilities except telephone, will be equal to 25% of the tenant's income or the basic rental, whichever is greater, but in no event shall the rental charged exceed the fair market rental;

(c) they shall limit admission to the project to those families whose incomes do not exceed the limits prescribed by the Commissioner, with the exception of those tenants who agree to pay fair market rental;

(d) preference for occupancy shall be given to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster determined by the President to be a major disaster, and to those families whose incomes are within the lowest practicable limits for obtaining rental units in the project;

(e) on forms approved by the Commissioner they will obtain from each prospective tenant, prior to admission to the project, a certification of income, and a recertification of income from all tenants who are not paying fair market rental at intervals as required by the Commissioner;

(f) if any recertification reveals a change in income whereby the tenant becomes eligible for a lower or higher rental, such adjustment in rental charged shall be made, provided that rental shall never be less than basic rental and shall never exceed fair market rental;

(g) in a manner prescribed by the Commissioner, they will obtain written evidence substantiating the information given on the tenants' certifications and recertifications of income and shall retain the evidence in their files for three years;

(h) they shall require all tenants who do not pay the fair market rental to execute a lease in the form prescribed by the Commissioner, and shall not rent any unit in the project for less than 30 days nor more than one year;

(i) beginning with the commencement of the term of the interest reduction payment contract, they shall remit to the Commissioner on or before the tenth day of each month the amount by which the total rentals collected on the dwelling units exceeds the sum of the approved basic rentals for all occupied units, which remittance shall be accompanied by a monthly report on a form approved by the Commissioner, provided that a monthly report must be filed even if no remittance is required;

(j) they shall not restrict occupancy by reason of the fact that there are children in the family, except in those projects that are designed primarily for elderly persons;

(k) they will rent commercial facilities, if any, at not less than the rental approved by the Commissioner;

(l) no change will be made in the basic rental or fair market rental unless approved by the Commissioner;

(m) no tenant shall be permitted to rent more than one unit at any given time without the prior written approval of the Commissioner;

(n) if there are rent supplement units in the project, the determination as to the eligibility of tenants for admission to such units and the conditions of continued occupancy shall be in accordance with the Rent Supplement Contract executed by the Owners and the Commissioner which is incorporated in and made a part of this Agreement.

5. Upon prior written approval of the Commissioner, the Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owner or others to such tenant upon his request, in addition to the facilities and services included in the approved Rental Schedule.

6. Owners shall not without the prior written approval of the Commissioner:

(a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property;

(b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds, other than from surplus cash, except for reasonable operating expenses and necessary repairs;

(c) Convey, assign, or transfer any beneficial interest in any trust holding title to the mortgaged property, or the interest of any general partner in a partnership owning the mortgaged property, or any right to manage or receive the rents and profits from the mortgaged property;

(d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;

(e) Make, or receive and retain, any distribution of assets or any income of any kind of the project, except from surplus cash and except on the following conditions:

(1) All distributions shall be made only as of or after the end of a semiannual or annual fiscal period, and only as permitted by the law of the applicable jurisdiction; all such distributions in any one fiscal year shall be limited to six per centum on the initial equity investment, as determined by the Commissioner; and the right to such distribution shall be cumulative;

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(2) No distribution shall be made from borrowed funds or prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;

(3) Any distribution of any funds of the project, which the party receiving such funds is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds;

(4) There shall have been compliance with all outstanding notices of requirements for proper maintainance of the project.

(f) Engage, except for natural persons, in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project;

(g) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any fund collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account;

(h) Permit the use of the dwelling accommodations of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Commissioner;

(i) Incur any liability, direct or contingent, other than for current operating expenses, exclusive of the indebtedness secured by the mortgage and necessarily incident to the execution and delivery thereof;

(j) Pay any compensation, including wages or salaries, or incur any obligations, to themselves, or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or to any of their nominees;

(k) Enter into any contract or contracts for supervisory or managerial services.

7. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.

8. Owners shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within forty-five days.

9. (a) Owners shall provide for the management of the project in a manner satisfactory to the Commissioner. Any management contract entered into by Owners, or any of them, involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the Owners. Upon receipt of such request Owners shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.

(b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

(c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.

(d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.

(e) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgagor prepared in accordance with the requirements of the Commissioner certified to by an officer or responsible Owner and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other person acceptable to the Commissioner.

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(f) At the request of the Commissioner, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.

(g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project, remittances to the Commissioner as required under Paragraph 4(i) above, or for distributions of surplus cash as limited by Paragraph 6(e) above. Any owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any owner receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing so to do shall hold such property in trust.

10. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR, Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11063.

11. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice, thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within thirty days after the date such notice is mailed or within such further time as the Commissioner reasonably determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Commissioner may:

(a)(1) If the Commissioner holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;

(2) If said note is not held by the Commissioner - notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;

(b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;

(c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage;

(d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain;

(e) Terminate the interest reduction payments to the mortgagee made pursuant to Paragraph 1 hereinabove.

12. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Commissioner because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Commissioner their rights to the rents, profits, income and charges of whatever sort which they may receive or be entitled to receive from the operation of the mortgaged property,. subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.

13. As used in this Agreement the term:

(a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the note identified herein, and endorsed for insurance or held by the Commissioner;

(b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;

(c) "Mortgagor" means the original borrower under the mortgage and its successors and assigns;

(d) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors and assigns;

(e) "Mortgaged Property" includes all property, real, personal, or mixed covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;

(f) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is to provide housing and other such activities as are incidental thereto;

(g) "Surplus Cash" means any cash remaining after:

(1) the payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Federal Housing Commissioner;

(ii) All amounts required to be deposited in the reserve fund for replacements;

(iii) All obligations of the project other than the mortgage insured or held by the Commissioner unless funds for payment are set aside or deferment of payment has been approved by the Commissioner;

(iv) Remittances due to the Commissioner as required by Paragraph 4(i); and

(2) the segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project;

(ii) All tenant security deposits held;

(iii) That portion of rentals which must be remitted to the Commissioner in accordance with Paragraph 4(i), but not yet due.

(h) "Residual Receipts" means any cash remaining at the end of a semiannual or annual fiscal period after deducting from surplus cash the amount of all distributions as that term is defined below and as limited by Paragraph 6(e) hereof;

(i) "Family" means (1) two or more persons related by blood, marriage, or operation of law, who occupy the same unit; (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impedes his ability to live independently, and is of such a nature that his ability to live independently could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such persons is limited to 10% of the dwelling units in the project;

(j) "Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent withdrawal within the limitations of Paragraph 6(e) hereof, and excluding payment for reasonable expenses incident to the operation and maintenance of the project;

(k) "Income" means the gross annual income of the family from all sources before taxes and withholding, after giving effect to exclusions allowed by the Commissioner;

(l) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice.

14. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Commissioner and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

15. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

16. The invalidity of any clause, part or provision of this Agreement shall not effect the validity of the remaining portions thereof.

17. The following Owners: Sunnyvale Building Corporation, John E. Musselman, Jr., Security Properties - '74 and El Coronado Apts., Ltd.,
do not assume personal liability for payments due under the note and mortgage, to the reserve for replacements, or for matters not under their control, except:

(a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and

(b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have set their hands xxxxxxxx on the date first hereinabove written.

EL CORONADO APTS., LTD.
Owners

xSealx

By Sunnyvale Building Corporation, General Partner

By ______________________
James W. Smith, President

xWITNESSx

By John E Musselman Jr.
John E. Musselman, Jr., General Partner

____

By Security Properties - '74, General Partner

____

By ______________________
General Partner

SECRETARY OF HOUSING AND URBAN DEVELOPMENT acting by and through the FEDERAL HOUSING COMMISSIONER

____

By ______________________
Authorized Agent

xxAddxproperxacknowledgmentsx

STATE OF TEXAS)

COUNTY OF ~~LUBBOCK~~ EL PASO)

ON THIS 18 day of April, 1974, before me appeared DON EARNEY, to me personally known and known to me to be the duly appointed Authorized Agent and the person who executed the aforesaid instrument bearing date of April 18, 1974, by virtue of the authority vested in him by 24 C.F.R. 200.96, and acknowledged that he executed the aforesaid instrument for and on behalf of the Federal Housing Commissioner, for the purpose therein expressed.

NOTARY PUBLIC
COUNTY OF EL PASO, TEXAS

____
Notary Public in and for ~~Lubbock~~ El Paso County, Texas

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared James W. Smith, President of Sunnyvale Building Corporation, which corporation is a General Partner of El Coronado Apts., Ltd., known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of said Sunnyvale Building Corporation, as General Partner of El Coronado Apts., Ltd., a Texas limited partnership, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office this the 18 day of April, 1974.

Notary Public in and for Dallas County, Texas

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared John E. Musselman, Jr., General Partner of El Coronado Apts., Ltd., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act of El Coronado Apts., Ltd., a Texas limited partnership, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office this the 18 day of April, 1974.

Notary Public in and for Dallas County, Texas

STATE OF WASHINGTON)

COUNTY OF King)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Alan L. Axelrod, General Partner of Security Properties - '74, which partnership is a General Partner of El Coronado Apts., Ltd., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said Security Properties - '74, as General Partner of El Coronado Apts., Ltd., a Texas limited partnership, and that he executed the same as the act of such partnership for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN under my hand and seal of office this the 18 day of April, 1974.

Notary Public King County, Washington

Description of a parcel of land being a portion of I. F. Harrison Survey 54, El Paso County, Texas and being more particularly described by metes and bounds as follows to wit:

FROM a point, said point being the northeast corner of I. F. Harrison Survey 54; Thence North 89° 12' 47" West along the northerly boundary line of said Survey 54, a distance of 1220.00 feet; thence South 00° 47' 13" West a distance of 521.68 feet; thence North 89° 12' 47" West a distance of 250.00 feet; Thence 238.36 feet along the arc of a curve to the left whose interior angle is 25° 45' 13", whose radius is 530.29 feet and whose chord bears South 77° 54' 37" West a distance of 236.36 feet to the POINT OF BEGINNING:

Thence 339.24 feet along the arc of a curve to the left whose interior angle is 36° 39' 11" whose radius is 530.29 feet and whose chord bears South 46° 42' 24" West a distance of 333.48 feet;

Thence South 28° 22' 49" West a distance of 301.25 feet;

Thence 14.20 feet along the arc of a curve to the right whose interior angle is 01° 30' 59" whose radius is 536.56 feet and whose chord bears South 29° 08' 19" West a distance of 14.20 feet;

Thence North 60° 06' 12" West a distance of 368.75 feet;

Thence North 00° 48' 00" East a distance of 15.93 feet;

Thence North 33° 31' 42" East a distance of 810.79 feet;

Thence South 35° 35' 30" East a distance of 454.38 feet to the POINT OF BEGINNING and containing in all 272,250.70 square feet or 6.250 acres of land more or less.

RECEIVED - FHA BY
MAY 10 1974

SCHEDULE A

81212

KEY PUNCHED

101- 8.50

FILED FOR RECORD

[illegible] 14 [illegible] 10 30

El Coronado Apts Ltd.

and

Sunnyvale Bldg. Corp. et al

John E Musselman Jr.

Security Corp.

To

Housing & Urban Dev.

RETURN TO:

HUD, Insuring Office
P. O. Box 1647
Lubbock, Texas 79408

ATTN: J. G. GARRY

516 425

5

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by/ ~~Rxxxffixxr~~ one of its general partners thereunto duly authorized ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ the day and year first above written.

~~Xxxxxxx~~

EL CORONADO APTS., LTD.

By John E Musselman Jr

John E. Musselman, Jr. ~~Xxxxxxxxx~~
General Partner

~~Axxxxxxx~~

~~Xxxxxxxx~~

THIS IS TO CERTIFY that this is the Note described in and secured by Deed of Trust of even date herewith, and in the same principal amount as herein stated, to L. J. Phelps, Trustee(x), on real estate located in El Paso County, Texas.

Dated the 18 day of April, 1974.

[SEAL]

Carolyn Sanders
Dallas County, Texas - *Notary Public*

My commission expires on the 1st day of June, 1975.

STATE OF TEXAS

LOAN NO.

Deed Of Trust Note

EL CORONADO APTS., LTD.

TO

HOUSING AMERICA
MORTGAGE CO., INC.

No. 133-44037-LD-SUP

Insured under Section 236 of the National Housing Act and Regulations published thereunder.

In effect on February 22, 1974

To the Extent of Advances Approved by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By [signature]
Authorized Agent

Date April 18 1974

A Total Sum of $1,550,800.00 has been approved for insurance hereunder by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By [signature]
Authorized Agent

Date April 30, 1975

Reference is made to the Act and to the Regulations thereunder covering assignments of the insurance protection on this Note.

73141-P Rev. 7/66 FHA-Wash., D. C.

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08182, Suncrest Apartments

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☒ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed Keven Ruf

Title Keven Ruf, Portfolio Manager

Date 5.19.08

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08182
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Sound Preservation 105 LP
Kevin Ruf
1201 Third Avenue, Ste. 5400
Seattle, WA 98101
Phone #: (206) 628-8026
Fax #: (206) 628-8031
Email: kevenr@secprop.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: jspicer@statestreethousing.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Suncrest Apartments, TDHCA Number: 08182

Attention: Kevin Ruf

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☑ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	161
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	161
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	160
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	1
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	0
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	0
Final Score Awarded to Application by Department:	**172**

Page 2 of Final Scoring Notice: 08182, Suncrest Apartments

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

§50.9(i)(27) – Leveraging of Private, State, and Federal Resources: Your Application is not eligible for these points because the HUD 236 Interest Reduction Payments cannot be used as a funding source for this point item because it is a pre-existing funding source. (Points Requested: 1, Points Awarded: 0)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

Appeal Election Form: 08182, Suncrest Apartments

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08181
Park Ridge Apartments

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Park Ridge Apartments - 08181

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

Points for Developments in Census Tracts with No Other Existing Same-Type Developments Supported by Tax Credits may be awarded to an Application if all requirements of §50.9(i)(19) of the 2008 QAP are fulfilled, including the requirement that the Census Tract be listed as eligible in the 2008 Housing Tax Credit Site Demographic Characteristics Report.

On December 8, 2007 the Housing Tax Credit Site Demographic Characteristics Report was posted to the Department's website. The posted document was found to have errors in the data presented, and on December 12, 2007, the Department removed the document from the website and issued a list-serve announcement alerting the applicant community of this fact and warning the applicant community that the data included in the Housing Tax Credit Site Demographic Characteristics Report issued on or prior to December 12, 2007 should not be relied upon for any information regarding 2008 Housing Tax Credit Applications.

The consultant for the Applicant asserts that he relied upon demographic information released by the Department on December 8, 2007 in deciding to move forward with his Pre-Application and Application. This same consultant, however, relied upon the correct demographic information released by the Department for points for another Pre-Application and Application submitted at the same time. It is clear that the consultant had access to the correct information, but chose not to use it.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Park Ridge, Ltd.
Site Location:	SE Corner Legend Hills Blvd & RM 152
City/County:	Llano/Llano
Regional Allocation Category:	Rural
Set Aside	None
Population Served:	General
Region:	7
Type of Development:	New Construction
Units:	64
Credits Requested:	$585,392

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08181
Executive Director Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 3, 2008

Mr. Mark Mayfield
Park Ridge, Ltd.
1110 Broadway
Marble Falls, Texas 78654
Telephone: (830) 693-4521
Facsimile: (830) 693-5128

Re: Appeal Received for Park Ridge Apartments, TDHCA #08181

Dear Mr. Mayfield:

Appeal Review
I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the point loss under §50.9(i)(19), Developments in Census Tracts with No Other Existing Same-Type Developments Supported by Tax Credits, of the 2008 Qualified Allocation Plan and Rules ("QAP").

Points for Developments in Census Tracts with No Other Existing Same-Type Developments Supported by Tax Credits may be awarded to an Application if all requirements of §50.9(i)(19) of the 2008 QAP are fulfilled, including the requirement that the Census Tract be listed as eligible in the 2008 Housing Tax Credit Site Demographic Characteristics Report. In your appeal, you assert that you relied upon demographic information released by the Department on December 8, 2007 in deciding to move forward with your Pre-Application and Application.

The Housing Tax Credit Site Demographic Characteristics Report posted on December 8, 2007 was found to have errors in the data presented. On December 12, 2007, the Department issued a list-serve announcement alerting the applicant community of this fact and warning the applicant community that the data included in the Housing Tax Credit Site Demographic Characteristics Report issued on or prior to December 12, 2007 should not be relied upon for any information regarding 2008 Housing Tax Credit Applications.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08181
Appeal
Documentation

State Street Housing Advisors, L.P.
Affordable Housing Consulting Services

May 23, 2008

Via email to: ***michael.gerber@tdhca.state.tx.us***

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 E. 11TH Street
Austin, Texas 78701

Re: Park Ridge Apartments #08181 Scoring Appeal

Dear Mr. Gerber:

I am writing to appeal the scoring of the above referenced application on behalf of my client the Texas Housing Foundation.

Our appeal is specially related to the loss of the 6 points under section §50.9(i)(19) of the 2008 QAP for Developments in Census Tracts with no Other Existing Same Type Developments Supported by Tax Credits.

The facts of the issue are as follows:

On December 8, 2007 TDHCA posted the 07 HTC demographics for the sites. This initial posting a copy of which is attached showed the site to be eligible for points under this category. Based on this information we proceeded with an application and have requested these points. The final corrected version of this document was not available until January 24, 2008. This date is well after Pre-applications had been submitted and money had been expended on the application.

In January, the board took action to correct similar errors in the HTC demographics reports related to the needs scores. We respectfully request we be given the same consideration for this error in the posted materials since this was the basis used for moving forward with the application.

We respectfully request that the application be reinstated the 6 points as a result of this TDHCA error.

(214) 346-0707 Phone { HYPERLINK "mailto:JSpicer@statestreethousing.com" } (214) 346-0713 Fax

Very truly yours,

Jeffrey S. Spicer

Attachments
07 HTC Demographics Report

cc: Mark Mayfield – Texas Housing Foundation
Steve Nash – Nash Builders
Ryan Nash – Nash Builders
Sharon Gamble - TDHCA

Tract ID	County	2000 Tract Median Family Income	2000 County Median Family Income	Eligible for §50.9(i)(16)(C) Tract MFI > County MFI Points (1)	2000 Tract Population	2000 Tract Poverty Population	Eligible for Poverty < 10% Points? (2)	Eligible for §50.9(i)(19)? If propsed to serve General (3)	Eligible for §50.9(i)(19)? If propsed to serve Elderly (4)	Eligible for §50.9(i)(19)? If propsed to serve General/Elderly (5)	Ineligible Tract? (6)	Ineligible For 30% Basis Boost? (7)
48285980600	Lavaca	33790	36760	No	2773	562	No	No	No	No	no	no
48287980100	Lee	47384	42073	Yes	4174	381	Yes	No	Yes	No	no	no
48287980200	Lee	40026	42073	No	2861	337	No	No	No	No	no	no
48287980300	Lee	46250	42073	Yes	2844	301	No	No	No	No	no	no
48287980400	Lee	38024	42073	No	5778	757	No	Yes	No	No	no	no
48289950100	Leon	34769	38029	No	6223	1123	No	Yes	No	No	no	no
48289950200	Leon	41747	38029	Yes	5150	679	No	No	No	No	no	no
48289950300	Leon	36875	38029	No	3962	563	No	No	No	No	no	no
48291700100	Liberty	40197	43744	No	4084	587	No	No	No	No	no	no
48291700200	Liberty	24375	43744	No	3252	762	No	Yes	No	No	no	no
48291700300	Liberty	43435	43744	No	8184	1282	No	Yes	No	No	no	no
48291700400	Liberty	50169	43744	Yes	5386	483	Yes	No	No	No	no	no
48291700500	Liberty	52596	43744	Yes	2372	288	No	No	No	No	no	no
48291700600	Liberty	28219	43744	No	2718	750	No	No	No	No	no	no
48291700700	Liberty	46528	43744	Yes	2339	243	No	No	No	No	no	no
48291700800	Liberty	49324	43744	Yes	8605	1022	No	Yes	Yes	No	no	no
48291700900	Liberty	44194	43744	Yes	5637	217	Yes	No	No	No	no	no
48291701000	Liberty	41106	43744	No	4080	650	No	No	No	No	no	no
48291701100	Liberty	50473	43744	Yes	6512	605	Yes	No	No	No	no	no
48291701200	Liberty	41422	43744	No	6283	867	No	No	Yes	No	no	no
48291701300	Liberty	38906	43744	No	3809	491	No	No	No	No	no	no
48291701400	Liberty	40136	43744	No	6893	1049	No	No	No	No	no	no
48293970100	Limestone	31875	36924	No	1985	499	No	No	No	No	no	no
48293970200	Limestone	41386	36924	Yes	4252	506	No	No	No	No	no	no
48293970300	Limestone	31932	36924	No	2279	408	No	Yes	No	No	no	no
48293970400	Limestone	20579	36924	No	1664	438	No	No	No	No	no	no
48293970500	Limestone	32361	36924	No	1901	357	No	No	No	No	no	no
48293970600	Limestone	36042	36924	No	5733	800	No	Yes	No	No	no	no
48293970700	Limestone	47391	36924	Yes	1498	162	No	No	No	No	no	no
48293970800	Limestone	41174	36924	Yes	2739	401	No	No	No	No	no	no
48295950200	Lipscomb	40850	39375	Yes	1817	308	No	No	No	No	no	no
48295950300	Lipscomb	35956	39375	No	1240	195	No	No	No	No	no	no
48297950100	Live Oak	39909	38235	Yes	5258	698	No	Yes	Yes	No	no	no
48297950200	Live Oak	33382	38235	No	2387	506	No	No	No	No	no	no
48297950300	Live Oak	39950	38235	Yes	2404	377	No	No	No	No	no	no
48297950400	Live Oak	38185	38235	No	2260	188	Yes	No	No	No	no	no
48299970100	Llano	32091	40597	No	2584	404	No	No	No	No	no	no
48299970200	Llano	38108	40597	No	3531	347	Yes	Yes	Yes	No	no	no
48299970300	Llano	52463	40597	Yes	1664	153	Yes	No	No	No	no	no
48299970400	Llano	69000	40597	Yes	2785	138	Yes	No	No	No	no	no
48299970500	Llano	33679	40597	No	4584	547	No	Yes	Yes	No	no	no
48299970600	Llano	40861	40597	Yes	1896	144	Yes	No	No	No	no	no
48301950100	Loving	53750	53750	No	67	0	Yes	No	No	No	no	no

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08181, Park Ridge Apartments

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☒ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ____________

Title President, Park Ridge, Ltd.

Date 5/19/08

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08181 Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Park Ridge, Ltd.
Mark Mayfield
1110 Broadway
Marble Falls, TX 78654
Phone #: (830) 693-4521
Fax #: (830) 693-5128
Email: mmayfield@txhf.org

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: jspicer@statestreethousing.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Park Ridge Apartments, TDHCA Number: 08181

Attention: Mark Mayfield

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Rural   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	167
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	167
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	159
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	8
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	6
Final Score Awarded to Application by Department:	**191**

Page 2 of Final Scoring Notice: 08181, Park Ridge Apartments

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

§50.9(i)(19) – Developments in Census Tracts with No Other Existing Same Type Developments Supported by Tax Credits: In order to be eligible for these points, the Development must be located inside a Census Tract in which there is no other Development that is supported by housing tax credits that serves the same proposed population. In a Deficiency Notice dated April 17, 2008, you were advised that you do not qualify for these points. In your response, you requested that the Department treat this item the same as similar items decided by a January 31, 2008 Board action. (6 points requested, 0 points awarded)

§50.9(i)(27) – Leveraging of Private, State, and Federal Resources: In a Deficiency Notice dated April 17, 2008, you were advised that you do not have enough HOME funds left from the percentage used to satisfy §50.9(i)(5), Commitment of Development Funding by Local Political Subdivisions to qualify for these points. In your response, you stated that you would request more HOME funds from the Department. (Points Requested: 1, Points Awarded: 0)

§50.9(i)(28) – Third-Party Funding Commitment Outside of Qualified Census Tracts: In order to be eligible for these points, the funding contribution must be in the form of a commitment. In a Deficiency Notice dated April 17, 2008, you were advised that you did not submit a commitment for the funds. In your response, no commitment was provided. (Points Requested: 1, Points Awarded: 0)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08181, Park Ridge Apartments

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08193
Sphinx at Fiji Senior

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Sphinx at Fiji Senior - 08193

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

Points were deducted under this section because an item from the threshold review Deficiency Notice was received after 5:00 p.m. on the fifth day, but before 5:00 p.m. on the sixth day following the date of the Deficiency Notice. A Deficiency Notice was issued on March 27, 2008 and due by 5:00 p.m. on April 3, 2008 to avoid any point loss. Evidence that the Applicant submitted a hold harmless letter to the City of Dallas was not received by the Department until April 4, 2008; therefore, the final score was reduced by five points.

The Applicant's appeal of this point loss is based on assertions regarding the hardship involved in securing such evidence within the five-day deficiency response period. The requirement for evidence of appropriate zoning is outlined in §50.9(h)(7)(B)(ii) of the 2008 QAP; the QAP specifically requires "For New Construction or reconstruction Developments, a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

> (I) The Development is permitted under the provisions of the zoning ordinance that applies to the location of the Development; **or**
>
> (II) The Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. The Applicant must also provide ***at the time of Application*** a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official."

The Applicant's appeal states that the application for zoning was submitted to the City of Dallas on February 27, 2008. Pursuant to the QAP, evidence of appropriate zoning or application is required to be submitted with the Application on February 29, 2008. Even if the evidence could not be included in the Application, the Applicant certainly had enough time to obtain the evidence between the February 29, 2008 Application submission date and the March 27, 2008 Deficiency Notice. Although providing the required evidence of zoning may be burdensome within a five-day Administrative Deficiency period, the documentation was not requested for the first time in the Deficiency Notice, but rather was part of Threshold Criteria required on February 29, 2008. Pursuant to §50.9(d) of the 2008 QAP, Department staff required correction of information submitted in the Application; consistent with this section, points were deducted from the final score of the Application.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	SDC Fiji Senior, LP
Site Location:	201 Fran Way
City/County:	Dallas/Dallas
Regional Allocation Category:	Urban
Set Aside	None
Population Served:	Elderly
Region:	3
Type of Development:	New Construction
Units:	130
Credits Requested:	$1,200,000

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08193
Executive Director
Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 5, 2008

Mr. Jeffrey S. Spicer, Consultant
State Street Housing Advisors, L.P.
5843 Royal Crest Drive
Dallas, TX 75230
Telephone: (214) 346-0707
Facsimile: (214) 346-0713

Re: Appeal Received for Sphinx at Fiji Senior, TDHCA #08193

Dear Mr. Spicer:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the point loss under §50.9(d)(4), Administrative Deficiencies, of the 2008 Qualified Allocation Plan and Rules ("QAP").

An Administrative Deficiency Notice was issued on March 27, 2008 and due by 5:00 p.m. on April 3, 2008 to avoid any point loss. Points were deducted under this section because an item from the Deficiency Notice was received after 5:00 p.m. on the fifth day, but before 5:00 p.m. on the sixth day following the date of the Deficiency Notice. Evidence that a "hold harmless" letter was received by the City of Dallas was not received by the Department until April 4, 2008; therefore, the final score was reduced by five points.

You have appealed this point reduction based on the assertion that the evidence was not received by the deadline because the City of Dallas did not provide the evidence to you in time.

The Administrative Deficiency process was created for Applicants to have the ability to clarify and correct information submitted to the Department. It was not intended to allow the Applicant to pursue additional information to meet requirements after the submission of an Application.

The requirements for evidence of appropriate zoning are explicitly outlined in §50.9(h)(7)(B)(ii) of the 2008 QAP. The QAP specifically requires, at the time of application submission, "For New Construction or reconstruction Developments, a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. The Applicant must also provide at the time of Application a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official".

I understand providing appropriate evidence of zoning may be a burdensome process, which is why it is a threshold requirement to be submitted early in the application process. Although I sympathize with the situation, the QAP and the Deficiency Notice explicitly state the deadline for receipt of Administrative Deficiencies. Staff strictly adheres to the Administrative Deficiency deadlines.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08193
Appeal
Documentation

State Street Housing Advisors, L.P.

Affordable Housing Consulting Services

May 22, 2008

Via email to: ***michael.gerber@tdhca.state.tx.us***

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 E. 11TH Street
Austin, Texas 78701

Re: Sphinx at Fiji Senior – TDHCA #08193 Scoring Appeal

Dear Mr. Gerber:

I am writing to appeal the scoring of the above referenced application on behalf of my client Sphinx Development Company.

Our appeal is specially related to the loss of the 5 points for an administrative deficiency under section §50.9(d)(4) of the 2008 QAP.

The facts of the issue are as follows:

- On February 26, 2008 a zoning change application was sent to the city of Dallas, a copy of which was included in the application.

- On March 27, 2008 the applicant received a deficiency notice from Mr. Ben Sheppard at TDHCA. The item in the letter relevant to our appeal is item #12. this item states:

  12._Provide a letter, dated after August 29, 2007, from the CEO of the applicable city department stating that you are in the process of seeking rezoning and that the proposed MU1 zoning will permit the proposed development to be built. Submit a "hold harmless" letter with proof of delivery and a letter from the CEO stating Applicant is seeking rezoning.

- The city of Dallas is in the process of revising its zoning to include a "Transit Oriented Development" (TOD)zoning category. The Sphinx at Fiji Senior development will ultimately fall under this zoning and be developed under this zoning. Because of this proposed new zoning classification, the City of Dallas viewed the zoning application for the MU1 zoning change as irrelevant to the ultimate development of the site and were not proceeding with the requested zoning change.

- This resulted in a great deal of confusion at the city staff level and despite the best efforts of the developer and his master planning consultant the city failed to write the appropriate letter until after the 5pm deadline on April 3, 2008.

- On April 3, 2008 at approximately 5:20pm the zoning letter was faxed to Mr. Ben Sheppard at TDHCA from the City of Dallas offices. A follow-up email also containing the requested letter was sent by the developer at 6:15pm.

A timeline detailing the frustrating steps taken by the developer to obtain the letter is attached.

The City of Dallas has provided a letter (attached) accepting full responsibility for the delay in providing the letter and asking that the applicant's 5 points be reinstated.

In summary, the ability to provide the requested letter in a timely manner was not within the control of the applicant or developer. TDHCA was informed along the way of the difficulties in obtaining the letter. The City of Dallas accepts and acknowledges responsibility for the delay. Ultimately the letter was provided to TDHCA in a time frame(less than 30 minutes after the deadline) that did not delay staff from making an informed decision about the project.

As such, we respectfully request that the 5 points be reinstated to the applicant.

Respectfully,

Jeffrey S. Spicer

Attachments
Letter from the city of Dallas Assistant City Manager
Developer request timeline
Deficiency letter from TDHCA
Zoning change delivery confirmation
Zoning change application
Correspondence with the city, consultants and TDHCA regarding the zoning letter

Cc: Jay Oji – Sphinx
Joseph Agumadu – Sphinx
John C. Shackelford, Esq.
Sharon Gamble - TDHCA

CITY OF DALLAS

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
211 East 11th Street
Austin, TX 78701

Re: Fiji Compton Development Project

Dear Mr. Gerber:

It has been brought to our attention that the Fiji Compton development project lost 5 points on the scoring because of the tardiness of a letter which was to be provided by the City of Dallas to confirm the submittal of a zoning application for the project.

Please accept this letter as a formal request for your reconsideration. While I am certainly aware of the various time lines and constraints necessary for TDHCA to complete its work in a timely, fair and efficient manner, our schedule prevented us from meeting that deadline. It was not the intention of the City to be unresponsive nor unsupportive of this project. The developer and project are worthy of our support.

This project is a unique and important opportunity with more than $4.6 million already invested from public and private partners to assist in rebuilding a neighborhood in Southern Dallas.

We request you grant some administrative relief by reinstating the points the project would have earned had it not been due to the tardiness of the letter. Your favorable consideration of this request would be most appreciated. The City will be careful and thoughtful as the project moves forward.

Please feel free to contact me should you have any questions regarding this letter or request.

Sincerely,

A.C. Gonzalez
Assistant City Manager

c: Ryan S. Evans, First Assistant City Manager
Karl Zavitkovsky, Director, Economic Development
Jerry Killingsworth, Director, Housing Department
Theresa O'Donnell, Director, Development Services
Hammond Perot, Assistant Director, Economic Development
Mark Obeso, Assistant Director, Housing Department

The Time line for the request of the zoning letter

1. Sphinx at Fiji Senior is the first phase of the Fiji Compton master plan development, which is located within a transit corridor. The site would benefit from the new TOD district, which is in the process of being approved by the Dallas City Council *(See Miguel's letter)*

2. The application was due for submission on the February 28, 2008. The QAP requires that each application should either show that appropriate zoning is in place at the time of submission or apply for zoning change by submission. A zoning application was submitted on February 27, 2008 evidenced by Lone Star Overnight receipt signed by R. Bersteiman

3. March 28, 2008: Received a deficiency letter from the TDHCA requesting additional information for 15 different items which includes a letter from the City of Dallas confirming we had applied for zoning and confirmation that the requested zoning district allowed the development of what was being proposed.

(March 29 and 30 are weekend days)
(March 31 is the State Holiday for Cesar Chavez)

4. March 28, 2008: Called Miguel to ask about the status of the proposed district TOD district that was in consideration for approval by the City Council, which would relieve us of going through the full zoning change. He indicated that it was still in the works but had not been approved.

5. April 2, 2008: Miguel requested a copy of the deficiency notice. He would get the letter drafted and get it back to me later that day based on his contact with the project coordinator Alan Hendrix.

6. April 2, 2008 End of the day: No signed letter yet from the City. Called Miguel and explained that I was extremely concerned about the time running our on us again. In the conversation, I reemphasized the consequence of not getting the letter in on time.

7. April 3 2008 about 9:00AM, Miguel stated he was waiting on the staff person to call him back. I told him we have to go down to the City department if we did not receive that letter by noon.

8. April 3, 2008 1:50 PM; I arrived at the City Hall department of Development Services. There were only a few department personnel. The receptionist indicated that it was a plan commission day and most people were at the meeting.

I delivered a copy of the hold harmless letter and asked the secretary to acknowledge receipt. "Current Planning" was stamped on the document as receipt. I told the secretary that the document was going to the State and that it needed to have a stamp that showed it was from the city of Dallas and that "Current planning" would mean nothing to the state. She said that was the only stamp they use for everybody and that they did not have anything with City of Dallas on it.

Knowing that was a problem, I called Ben Sheppard at TDHCA to tell him the problem. He said it was necessary to have the City of Dallas stamp, but if that was all I could get I should sent it and he would run it up the flagpole.

April 3, 2008 2:10 PM I asked to talk to any planner available and Mr. Dominquez was called. I requested him for a letter that would confirm they received an application from us requesting authorization for our development plan. He gave me a copy of the MU-1 districts, which confirms that.

He looked for our application and said there was no record we submitted any application. I told him we did and that we have a signed proof of delivery. I called our office and someone faxed a copy of the delivery receipt. After checking some more, he could not find it.

I told him the most important thing for me was the letter to satisfy the TDHCA. He had me draft the language and went to ask the person he referred to as his boss. He came back after about 20 minutes just to tell me they would not be able to give me the letter.

This time I was getting desperate. I called Ben shepherd at the TDHCA again to tell him the difficulty I had run into. He stated that his job was to document the letter and that he had to have it by 5.00PM no matter what.

March 3, 2008 3:40 PM I asked to see the Director to Planning and was shown where the secretary was. I went to her and explained my situation and the urgency of my need. She said that the Director was at the commissioners meeting and at that point Ms. O'Donnell walked in. I explained the problem to her. She said that I should not have waited till that late to come to her and that unless I had a complete application with everything complete she would not acknowledge with a letter. I explained the potential loss of the money the city had committed if we did not get the deal. If the application was incomplete could she say that she received it incomplete from us? She said she would be lying to State agency if she did that. The only way I would get a letter from her was to complete the application by 5.00PM. She then called Ms. Alga to tell me what I needed to submit a complete application. As impossible as that may sound, I literary ran from one department to the other seeking the items they needed including the original copy of the deed with raised stamp. I begged for them to use a copy and have the original the next day without success.

Needless to say that I completed all the documents they needed by 4:38 PM and asked the lady to get me the letter and we could complete the paperwork. I helplessly waited there watching the staff go from one office to the other and finally gave me the letter about 5.16 PM well after the 5.00Pm deadline.

The letter was then faxed to TDHCA at approximately 5:20pm.

Texas Department of Housing and Community Affairs
Housing Tax Credit Program
2008 Application Deficiency Notice

Deficiency Notice Date: March 27, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA FACSIMILE OR EMAIL

Primary Contact:		Second Contact:	
Contact Name:	Joseph Agumadu	Second Contact:	Jeff Spicer
Contact Phone:	(214) 342-1400	Second Phone:	(214) 346-0707
Contact Fax:	(214) 342-1409	Second Fax:	(214) 346-0713
Contact E-Mail:	joseph@SDCUS.com	Second E-Mail:	Jspicer@statestreethousing.com

Regarding: TDHCA Number 08193, Sphinx at Fiji Senior

In the course of the Department's review of the above referenced application documentation, an Administrative Deficiency, as defined in §50.3(2) of the 2008 Qualified Allocation Plan and Rules, has been identified. An Administrative Deficiency is defined as: "The absence of information or inconsistent information in the Application as is required under §50.5, §50.6, §50.8 and §50.9 of this title, unless determined by the Department as unable to be corrected." By this notice, the Department is requesting documentation to correct the following deficiency or deficiencies:

I. The following Administrative Deficiencies were found in your Threshold Criteria documentation. Threshold Administrative Deficiencies will be handled as described below.

Threshold: 1.☐Vol. 1, Tab 2, Rent Schedule. Revise listing of the 2BR/2bath units to match number of bathrooms shown in the Part F, Building/Unit Type Configuration and unit plan, i.e. one bath (or revise the Part F and the unit drawing of the two bedroom unit.

2.☐Volume 1, Tab 4, Part A. The Syndicator in Part A is listed as Apollo, but Part B. financing Participants and the commitment letter lists PNC as the syndicator.

3.☐Vol. 1, Tab 5, Part B, List of Organizations with an Ownership or Special Interest in the Applicant. Revise the form so that the line reading "Name(s) and Ownership % of Entities the Organization Owns or Controls" contains the name, i.e. in the case where "Fiji Villas, LLC" is listed under "Organization Legal Name" (the first space in the information block), the "Name(s) and Ownership %" space just referenced would contain the name of the development owner. In the case of the development owner, just put the development's name in the space.

4.☐Vol. 1, Tab 5, Part C, List of Principals (etc.). Put "x"s in the boxes for Jay Oji and Joseph Agumadu where they fall in the table below Sphinx Development Corp. as was done above under Fiji Villas, LLC.

5.☐Volume 1, Tab 7, Part C: Form is signed and notarized by the consultant but the application indicates no use of a consultant on page 2 of the Application (Part B., section 3).

6.☐Vol. 1, Tab 8, Relevant Development Information, Part 1. Check the box for "Change from Pre-App" that is at the left side margin of the page under the supportive services that you listed, then change the "# Res. Buildings" to "1" (it is now "3"), change the "# of Non-Res. Buildings" from "1" to "0" (if that is correct – the development plan looks like it is all one building. If this is not correct, you will need to revise the Vol. 1, Tab 2, Part F Building/Unit Type Configuration form to change the "1" building that is shown on it to match whatever you finally put on the Relevant Development form and in the Vol. 3, Tab 1, Specifications and Amenities form that was requested in a prior deficiency notice). Also, change market rate units to "0" and LI units to 130, all to match the final rent schedule. Submit the new page and initial it at the bottom right.

7.☐Vol. 1, Tab 8, Relevant Development Information, Part 2. Vol. 4, Tab 4 indicates different common amenities in the Part C form and different unit amenities in the Part D from the relevant development list. Submit the revised Relevant Development Part 2 page and initial it at the bottom right.

8.☐Vol. 3, Tab 1, Part A1, Development Certification Form. Revise the first two pages of the form to contain the initials of the person who signed the third page in the handwriting of that person. Currently the initials are typed. On the third page, date the owner's signature to match the date that the notary used as the date she witnessed the signing. Submit the revised form.

9.☐Volume 3, Tab 1, Architectural Drawings: Elevations clearly depicting the height of each floor with a percentage estimate of exterior composition material used was not submitted.

10.☐Survey, contract, sign, etc., say 5.990 acres but site plan says 6.557. Submit a site plan with the acreage corrected.

11.☐Submit the recorded deed.

12.☐Provide a letter, dated after August 29, 2007, from the CEO of the applicable city department stating that you are in the process of seeking rezoning and that the proposed MU1 zoning will permit the proposed development to be built. Submit a "hold harmless" letter with proof of delivery and a letter from the CEO stating Applicant is seeking rezoning.

13.☐Volume 3, Tab 3, Certification of Notifications. Resubmit the first page of the form with the page bearing a handwritten initial in the bottom right corner. Under Section A, Part 1, if you fill-in the main box (i.e. the first box) and the first sub-box, then you do not have to fill-in any of the boxes in Part 2. If you must fill-in the boxes in Part 2 because of re-notification, then, all five main boxes must have been checked.

14.☐Volume 3, Tab 3, Signage: The information and lettering on the sign must meet the requirements identified in the Application. Refer to the Public Notifications Format (Signage) Template. You must submit documentation and certification that the sign was on the site on February 29, 2008.

15.☐Volume 3, Tab 5, Financials: A financial statement for the General Partner was not submitted. Need statement that Fiji Villas, LLC is newly formed and has no accounts and thus no financial statement.

II. The following Administrative Deficiencies were found in your Selection Criteria documentation. Selection Administrative Deficiencies will be handled as described below.

Selection:

Pursuant to §50.9(d)(4), "if Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department by 5:00 p.m CST on the fifth business day following the date of the deficiency notice, then for competitive Applications under the State Housing Credit Ceiling, five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected by 5:00 p.m. CST on the seventh business day following the date of the deficiency notice, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the next business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. This Administrative Deficiency process applies to requests for information made by the Real Estate Analysis Division review." The Department must receive the requested documentation by 5:00 p.m. CST or the documentation will be deemed to have been received the following business day.

214-670-4210

Lone Star Overnight

Home

Ship
Track
Request Pickup

Find Drop Box
Service Area
Priority Rates
Ground Rates
Order Supplies
Request Account

News
Fuel Surcharge
Holidays
Service Options
Job Openings
About LSO

Cookies / Rewards

Delivered!

Airbill Number: 41912533

Delivery Date:	2/27/2008 9:05 AM
Signed By:	R.BERSTEIMAN
Delivered to:	

1500 MARILLA ST
RM 5B NORTH
DALLAS TX, 75201

Track Another Airbill

Department of Development Services

1500 Marilla Street Room 5B North Dallas, TX 75201 Phone 214.670.4209 Fax 214.670.4210

City of Dallas

Zoning Change Application

October 2002

Provide the following information. (Please print).

Applicant		Representative		Owner	
Owner ☒ ☐ Prospective Buyer Tenant ☐				Individual ☐ ☐ Corporation Partnership ☐ ☐ Trust	
Name:	SDC FIJI SENIOR, LP	Name:		Name:	SDC FIJI SENIOR, LP
Address:	3030 LBJ FREEWAY	Address:		Address:	3030 LBJ FREEWAY, SUITE 880
City/St/Zip:	Dallas, TX 75234	City/St/Zip:		City/St/Zip:	DALLAS, TEXAS 75234
Telephone	214-342-1400	Telephone:		Telephone:	214-342-1400
Fax:	214-342-1409	Fax:		Fax:	214-342-1409
E-mail:	JOSEPH@SDCUS.COM	E-mail:		E-mail:	JOSEPH@SDCUS>COM

Joseph Agumadu
Signature of Applicant

Joseph Agumadu
Signature of Owner

Existing zoning:	LI	Location & cross street:	201 FRAN WAY DALLAS, TEXAS 75203
Mapsco no.	55 F	Request:	MU1
Zoning map no.			
Council district	Dist. 4		
School district	DISD		
Census tract no.	49	Lot(s)/Block(s):	Size of request:

Areas below to be completed by staff during application intake.

General Zoning Change*	Specific Use Permit*	Planned Development District*	Deed Restrictions*
	New ☐ ☐ Renewal Amendment ☐ ☐ Auto Renewal***		Termination ☐ ☐ Amendment
Proper signatures ☒	Proper signatures*** ☐	Proper signatures ☐	Proper signatures ☐
Letter(s) of authorization ☐	Letter(s) of authorization*** ☐	Letter(s) of authorization ☐	Letter(s) of authorization ☐
Land use statement ☐	Land use statement ☐	Land use statement ☐	Land use statement ☐
Zoning Location Maps (2) ☐	Draft Conditions ☐	Draft Conditions ☐	Zoning Location Maps (2) ☐
Tax Plat Maps (2) ☐	Zoning Location Maps (2)*** ☐	Zoning Location Maps (2) ☐	Tax Plat Maps (2) ☐
Correct lot & block or Metes & Bounds survey with drawing (2) ☐	Tax Plat Maps (2) ☐	Tax Plat Maps (2) ☐	Correct lot & block or Metes & Bounds survey with drawing (2) ☐
Copy of Deed ☐	Correct lot & block or Metes & Bounds survey with drawing (2) ☐	Correct lot & block or Metes & Bounds survey with drawing (2) ☐	Copy of Deed ☐
Tax and lien statements ☐	Copy of Deed ☐	Copy of Deed ☐	Tax and lien statements ☐
Traffic Impact Worksheet ☐	Tax and lien statements ☐	Tax and lien statements ☐	List of partners/principals/officers** ☐
Traffic Impact Study or Waiver** ☐	Traffic Impact Worksheet ☐	Traffic Impact Worksheet ☐	Termination instrument** ☐
List of partners/principals/officers** ☐	Traffic Impact Study or Waiver** ☐	Traffic Impact Study or Waiver** ☐	New instrument** ☐
	List of partners/principals/officers** ☐	List of partners/principals/officers** ☐	Copy of executed deed restrictions** ☐
	Site Plans (10 folded) ☐	Conceptual plans (10 folded) or Development Plans (10 folded) ☐	
	Landscape Plans (10 folded)** ☐	Landscape Plans (10 folded)** ☐	
	Tree Survey (2 folded)** ☐	Tree Survey** ☐	
		Elevation/perspectives (optional) ☐	

*Additional requirements may be determined as necessary prior to application acceptance. ** If required.

2 year waiver: Y ☐ N ☐	Filing fee: $ 5820.00	Sign fee: $	Date filed:
Escarpment Y ☐ N ☐	Receipt no.	Receipt no.	Accepted by:
Floodplain Y ☐ N ☐	Notification area: FT.	No. of signs:	Date withdrawn:

Tentative CPC Hearing Date: Planner: File No.: Z ___ - ___ / ___ (___)

5207

SPHINX DEVELOPMENT CORP.
3030 LBJ FREEWAY, SUITE 880
DALLAS, TX 75234
(214) 342-1405

WASHINGTON MUTUAL BANK, FA
PARK FOREST FINANCIAL CENTER 1924
DALLAS, TX 75244
88-9377-1119

2/26/2008

PAY TO THE
ORDER OF City of Dallas $ **5,820.00

Five Thousand Eight Hundred Twenty and 00/100** DOLLARS

City of Dallas
1500 Marrila
5FN
Dallas, TX 75201

MEMO
Fiji Senior Villas Zoning

Joseph Azmache MP

⑈0000 5207⑈ ⑆111993776⑆ 3893857571⑈

Security Features Included. Details on back.

matter. This particular letter is required by the end of the day today.
Thanks for your help.

-----Original Message-----
From: Joseph Agumadu
To: Miguel DelValle
Sent: 4/2/08 3:57 PM
Subject: FW: Deficiency notice for 08193, Sphinx at Fiji, is attached

Miguel,

Please find the attached. The item #12 is where I need your help. I have sent a hold hamless letter for overnight delivery. Thanks so much Miguel. Let's talk in the morning.

Joe
-----Original Message-----
From: Ben Sheppard [mailto:ben.sheppard@tdhca.state.tx.us]
Sent: Thursday, March 27, 2008 11:42 AM
To: 'joseph@sdcus.com'; 'Jeffrey S. Spicer'; Jay@Sdcus.Com
Subject: Deficiency notice for 08193, Sphinx at Fiji, is attached

thanks

5

Ben Sheppard

Texas Department of Housing & Community Affairs

Telephone: (512) 475-2122

Facsimile: (512) 475-1895

<<08193 thresh def.pdf>>

Joseph Agumadu

From: "Miguel DelValle" <miguel@txmapdata.com>
To: <joseph@sdcus.com>
Cc: <jay@sdcus.com>
Sent: Tuesday, May 20, 2008 11:55 AM
Attach: Ltr to TDHC1.doc
Subject: FW: COG - Fiji Sustainable Development

<<Ltr to TDHC1.doc>>

-----Original Message-----
From: Miguel DelValle
To: 'stephen.smith@dallascityhall.com'
Cc: 'joseph@sdcus.com'
Sent: 4/3/08 2:00 PM
Subject: FW: COG - Fiji Sustainable Development

<<Ltr to TDHC1.doc>>
Hello Steve:

As you requested, attached is the draft letter that Alan suggest come through your office. I apprecite your assistance and will forward the confirmation materials regarding the MU1 Zoning request made to the City be the developer. Thank You.

Best Regards,

Miguel A. del Valle II

-----Original Message-----
From: Miguel DelValle
To: 'Hendrix, Alan '
Sent: 4/2/08 9:57 PM
Subject: RE: COG - Fiji Sustainable Development

Hello Alan:

As I mentioned, attached is yet another letter that tells the State how we plan to achieve the proposed development at Fiji/Compton. Your help on this matter is truly appreciated.

Thank You.

-----Original Message-----
From: Hendrix, Alan
To: Miguel DelValle
Cc: Karla Weaver
Sent: 4/1/08 12:40 PM

April 2, 2008

Mr. Ben Sheppard
Multifamily Housing Specialist
Texas Department of Housing and Community Affairs
221 East 11th
Austin, TX 78701

Re: Sphinx at Fiji Senior - TDHCA #08193

Dear Mr. Sheppard:

This letter is in response to the 2008 application deficiency notice letter dated 3/21/08. The City of Dallas is working with Sphinx Development Corporation on the entire Master Development known as Fiji/Compton and includes senior housing as well as for sale housing. The developer has applied for MU1 Zoning which allows for both uses and is currently awaiting the outcome of proposed 'formed based zoning' which the City of Dallas is considering as a zoning allowance that provides for greater density development at or near transit stations. The public funding provided to this development project by the North Central Texas Council of Governments (COG) and the City of Dallas requires the appropriate zoning be in place before development, as proposed, can occur.

The Development Services Department as well as the Public Works Department is administering the review of all construction documents submitted by the developer which must be consistent with the standards set forth by the City of Dallas that adheres to the required MU1 zoning standards. We are committed to having this development significantly completed by May 2009. We are working closely with the developer on the full development of this entire project and can provide additional information if necessary.

Sincerely,

Alan D. Hendrix, P.E., Program Manager
Interagency Coordination Division

T:\USERS\GROUP\IAC\Hendrix\Misc. Correspondence\Sust Dev Fiji Compton Letter to TDHCA.doc

SPHINX development corporation

April 3, 2008

RE: Proof of Delivery of Hold- Harmless letter to the City of Dallas

A copy of the hold harmless letter dated February 26, 2008 is received by the department of Development Services.

By: Rosie Bersterman

Date: 4-3-08

Time: 2:01 pm.

RECEIVED BY
APR 03 2008
Current Planning

FIJI SENIORS VILLAS, LLC;
Its General Partner

Joseph Agumadu

Joseph Agumadu; Manager

RECEIVED BY
APR 03 2008
Curr... ...anning

3030 LBJ Freeway, Suite 880, Dallas, Texas 75234, USA • Phone: 214-342-1400 • Fax: 214-342-1409 • www.sdcus.com

development corporation

February 26, 2008

Michael Gerber
Executive Director
TDHCA,
211 East 11th Street
Austin Texas 787101

Re: 201 Fran Way MUI Zoning Request – Hold Harmless

Dear Mr. Gerber,

Please note that we are in the process of of seeking the appropriate zoning on the above referenced property. We hereby undertake to hold the City of Dallas, and other parties harmless in the event the approprieate zoning is denied.

A copy of application and proof of delivery are hereby attched.

Very truly yours,

FIJI SENIORS VILLAS, LLC;
Its General Partner

Joseph Agumadu

Joseph Agumadu, Manager

Development Services
City of Dallas
1500 Marlia - 5CN
Dallas, Texas 75201

RECEIVED BY
APR 03 2008
Current Planning

CC: City of Dallas, Development Services

RECEIVED BY
APR 03 2008
Curr... ...anning

3030 LBJ Freeway, Suite 880, Dallas, Texas 75234, USA • Phone: 214-342-1400 • Fax: 214-342-1409 • www.sdcus.com

Apr 04 08 12:12p Development Services 2146704210 p.2

512
475-1895

CITY OF DALLAS

April 3, 2008

Michael Gerber
Executive Director
TDHCA,
211 East 11th Street
Austin, Texas 787101

Re: Zoning File Z078-210
201 Fran Way
Block 5914 Carver Heights Addition

To Mr. Gerber,

This letter is to confirm that FIJI Seniors Villas, LLC has submitted an application for a general zoning change on property zoned LI Light Industrial to a MU-1 Mixed Use District at the above mentioned location.

Should you have any questions, please do not hesitate to contact Theresa O'Donnell, Director of Development Services at 214-670-4217.

Theresa O'Donnell

Director of Development Services

Joseph Agumadu

From: "Miguel DelValle" <miguel@txmapdata.com>
To: <joseph@sdcus.com>
Cc: <jay@sdcus.com>
Sent: Wednesday, May 21, 2008 7:43 AM
Subject: Fiji/Compton

Hello Joseph:

As per your request, I went back and discovered that as far back as February 22nd I had a discussion with Mr. Peer Chako, Assistant Director of Planning regarding his effort to introduce a new zoning development code that will allow for "Form Based Zoning" designed specifically towards 'transit oriented developments' like the Fiji/Compton development. At the time we spoke he was planning to brief the Council in April and have the new code approved by year-end.

I spoke with A. Hendrix, Department of Public Works regarding the Fiji/Copmton planned development and the need for a letter acknowledging the zoning request made by Sphinx Development Corporation. I followed-up with an e-mail and a proposed draft letter on April 2nd and Alan refered me to Stve Smith and Ed Bateman. I spoke with S. Smith and followed up with an e-mail April 3rd. I had several conversations with Ed Bateman regarding the request which concluded with an e-mail from Mr. Bateman suggesting we contact the Senior Planner where the request was made and request confirmation of the zoning change. This e-mail was provided at 4:19 p.m. on April 3rd 41 minutes before the deadline.

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08193, Sphinx at Fiji Senior

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☑ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed Joseph Agumadu

Title Manager

Date 5/23/08

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08193
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

SDC FIJI Senior, LP
Joseph Agumadu
3030 LBJ Frwy, Ste. 880
Dallas, TX 75234
Phone #: (214) 342-1400
Fax #: (214) 342-1409
Email: joseph@SDCUS.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: Jspicer@statestreethousing.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Sphinx at Fiji Senior, TDHCA Number: 08193

Attention: Joseph Agumadu

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	162
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	162
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	151
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	11
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	24
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	0
Final Score Awarded to Application by Department:	**189**

Page 2 of Final Scoring Notice: 08193, Sphinx at Fiji Senior

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

§50.9(i)(14) – Pre-Application Incentive Points: In order to be eligible for these points, the Application must be awarded a score that is not more than 5% greater or less than the number of points awarded by the Department at Pre-Application. The score awarded at Pre-Application was 166. Therefore, the Application award could not be greater than 174.3 or less than 157.7. The final award was 157. The application exceeded the 5% variance. (6 points requested, 0 points awarded)

§50.9(d)(4) – Administrative Deficiencies (Late Deficiency Penalty): A Deficiency Notice was issued on March 27, 2008 and due by 5:00 p.m. on April 3, 2008 to avoid any point loss. You satisfactorily resolved the last item on April 4, 2008, resulting in the loss of five points. (Points Awarded: -5)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08193, Sphinx at Fiji Senior

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08228
Chelsea Senior Community

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Chelsea Senior Community, 08228

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

The 2008 Qualified Allocation Plan and Rules ("QAP") allows Applications to score up to 24 points if a qualified Neighborhood Organization submits a letter of support for the proposed development that meets the requirements of §50.9(i)(2) of the 2008 QAP, Quantifiable Community Participation ("QCP"). For this Application, a letter of support submitted by the Acres Homes Super Neighborhood Council ("Acres Homes") was found ineligible because the letter submitted did not meet the requirements of §50.9(i)(2) of the 2008 QAP, the representative for Acres Homes failed to respond to a Deficiency Notice requesting the information required to meet the requirements, and the Applicant violated the QAP prohibition against Applicants providing production assistance to the Neighborhood Organization in order to meet the requirements for the points.

By February 29, 2008, the Department received a letter from Acres Homes requesting that their letter be considered for points for QCP support. QCP points, statutorily required under §2306.6710 Texas Government Code, are described in, and are awarded for letters from qualified "neighborhood organizations" that meet the set of criteria outlined by §50.9(i)(2) of the 2008 QAP. In our review, the letter was found to be ineligible and the Application was awarded a score of 12 for no QCP support. Note that scores will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. This Applicant is appealing the eligibility of the Quantifiable Community Participation letter submitted for the Application.

The letter was ineligible because it did not meet the QAP requirements and Acres Homes did not respond timely to the Department's Deficiency Notice ("the Notice"). The April 11, 2008 Deficiency Notice was emailed to Dr. Queen Martin, the only email contact provided, and faxed to Dr. Martin and to Mr. Ben Mask at the fax number given. The email very clearly stated that the Notice was attached and that the response to that Notice was due by 5:00 p.m. CST on April 22, 2008. The email also requested a reply acknowledging receipt of the email. Dr. Martin replied on April 13, 2008, acknowledging receipt of the email. Reminders of the approaching deadline for response to the Notice were sent to Dr. Martin on April 21 and April 22, 2008. Further, Department staff phoned Dr. Martin's office on April 22, 2008 and left a message for Dr. Martin to contact the Department immediately. At the time of the required deadline, Dr. Martin had not responded to the Notice. Dr. Martin responded to the Notice on April 24, 2008, stating that she was responding to the Notice after a copy was sent to her by the Applicant.

In their appeal, the Applicant states that Dr. Martin never received the Notice because the Notice was not attached to the email she verified receiving, and therefore she did not have sufficient time to respond. Department records of emails indicate that the attachment was included in the email sent to Dr. Martin. Further, the Applicant asserts, "it is the intent of the QAP to provide Neighborhood Organizations with adequate opportunity to respond via the primary means of communicating with TDHCA. In this case, it is through email."

The Notice was not only emailed to Dr. Martin, but was also faxed to her and the second contact person on the same day the email was sent. Dr. Martin received three emails, one fax, and one phone call regarding the Notice, and she never contacted the Department to say that she had not received the Notice attached to the email. Further, according to her letter, Dr. Martin only replied to the Notice after a copy of the Notice was sent to her by the Applicant, an involvement by the Applicant which is strictly forbidden by §50.9(i)(2) of the QAP, which clearly states "Applicants may not provide any "production" assistance to meet these requirements for any Application in the Application Round (i.e. use of fax machines owned by the Applicant, use of legal counsel related to the Applicant, <u>or assistance drafting a letter</u> for the purposes of this subparagraph)".

The Applicant asserts that his involvement does not violate this prohibition; however, if Dr. Martin did not receive the Deficiency Notice from the Department, she would not have been able to draft the letter she submitted on April 24, 2008 without the assistance of the Applicant. Dr. Martin did not contact the Department regarding the Notice until after the Applicant had given her a copy of the Notice. Acres Homes did not respond timely to the Department's Deficiency Notice; therefore the points were not awarded.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Chelsea Senior, L.P.
Site Location:	3350 W. Little York
City/County:	Houston/Harris
Regional Allocation Category:	Urban
Set Aside	None
Population Served:	Elderly
Region:	6
Type of Development:	New Construction
Units:	36
Credits Requested:	$506,036

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08228
Response to Executive Director's Appeal Denial

CHELSEA SENIOR COMMUNITY
1106 Clayton Lane, Suite 524W
Austin, TX 78723
Phone:(512) 458-5577 **Fax:(512) 458-5565**

June 18, 2008

Michael Gerber
Executive Director
TDHCA
221 East 11th Street
Austin, TX 78701

Re: Appeal for QCP Letter of Support
TDHCA # 08228

Dear Mr. Gerber:

I am writing in response to your letter dated June 3, 2008 in which you denied my appeal to reinstate the letter of support provided by the Neighborhood Organization.

In that letter, you further stated that the Applicant's action in forwarding a copy of the Deficiency Notice to the Neighborhood Organization obtained from TDHCA through an Open Records request constituted "production" assistance forbidden by the QAP. I respectfully disagree with that interpretation. Examples of production assistance include, use of a fax machine owned by the Applicant, use of legal counsel related to the Applicant or assistance drafting a letter. The Applicant had not engaged in any such actions.

I reiterate that the reason for the delay in responding was due to the fact that the Deficiency Notice was not attached to the email sent to the Neighborhood Organization by TDHCA on April 11, 2008. Please see the enclosed letter dated April 24, 2008 by the President of the Neighborhood Organization, Dr. Queen Martin. Although TDHCA sent reminders by email on April 21 and April 22, 2008, the day the response was due, the Neighborhood Organization did not get 7 business days to respond as stipulated in section 50.9(i)(2)(C) of the QAP. We believe that it is the intent of the QAP to provide Neighborhood Organizations with adequate opportunity to respond to notices via the primary means of communicating with TDHCA. In this case, it is through email.

Accordingly, we respectfully request that the Neighborhood Organization's letter of support be restored and 24 points awarded to the application. Please let me know if you have any questions or need additional information.

Sincerely,

Cherno M. Njie
General Partner

06-18-08 A11:30 IN

08228
Executive Director
Appeal Response

Texas Department of Housing and Community Affairs

www.tdhca.state.tx.us

Rick Perry
Governor

Michael Gerber
Executive Director

Board Members
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 3, 2008

Mr. Cherno Njie
Chelsea Senior, L.P.
1106 Clayton Lane
Austin, Texas 78723
Telephone: (512) 458-5577
Facsimile: (512) 458-5565

Re: Appeal Received for Chelsea Senior Community, TDHCA #08228

Dear Mr. Njie:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the eligibility of a letter from the Acres Homes Super Neighborhood Council ("Acres Homes") requesting that the letter be considered for points under §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was ineligible because Acres Homes did not respond timely to the Department's Deficiency Notice ("the Notice"). The April 11, 2008 Deficiency Notice was emailed to Dr. Queen Martin, the only email contact provided, and faxed to Dr. Martin and to Mr. Ben Mask at the fax number given. The email very clearly stated that the Notice was attached and that the response to that Notice was due by 5:00 p.m. CST on April 22, 2008. The email also requested a reply acknowledging receipt of the email. Dr. Martin replied on April 13, 2008, acknowledging receipt of the email. Reminders of the approaching deadline for response to the Notice were sent to Dr. Martin on April 21 and April 22, 2008. Further, Department staff phoned Dr. Martin's office on April 22, 2008 and left a message for Dr. Martin to contact the Department immediately. At the time of the required deadline, Dr. Martin had not responded to the Notice. Dr. Martin responded to the Notice on April 24, 2008, stating that she was responding to the Notice after a copy was sent to her by the Applicant.

In your appeal, you state that Dr. Martin never received the Notice because the Notice was not attached to the email she verified receiving, and therefore she did not have sufficient time to respond. Department records of emails indicate that the attachment was included in the email sent to Dr. Martin. Further, you assert, "it is the intent of the QAP to provide Neighborhood Organizations with adequate opportunity to respond via the primary means of communicating with TDHCA. In this case, it is through email." The Notice was not only emailed to Dr. Martin, but was also faxed to her and presumably the second contact person on the same day the email was sent. Dr. Martin received three emails, one fax, and one phone call regarding the Notice, and she never contacted the Department to say that she had not received the Notice attached to the email. According to her letter, Dr. Martin only replied to the Notice after a copy of the Notice was sent to her by the Applicant, an involvement by the Applicant which is strictly forbidden by §50.9(i)(2) of the QAP, which clearly states "Applicants may not provide any "production" assistance to meet these requirements for any Application in the Application Round (i.e. use of fax machines owned by the Applicant, use of legal counsel related to the Applicant, or assistance drafting a letter for the purposes of this subparagraph)". Acres Homes did not respond timely to the Department's Deficiency Notice; therefore the points were not awarded.

Appeal Determination
Your appeal is denied.

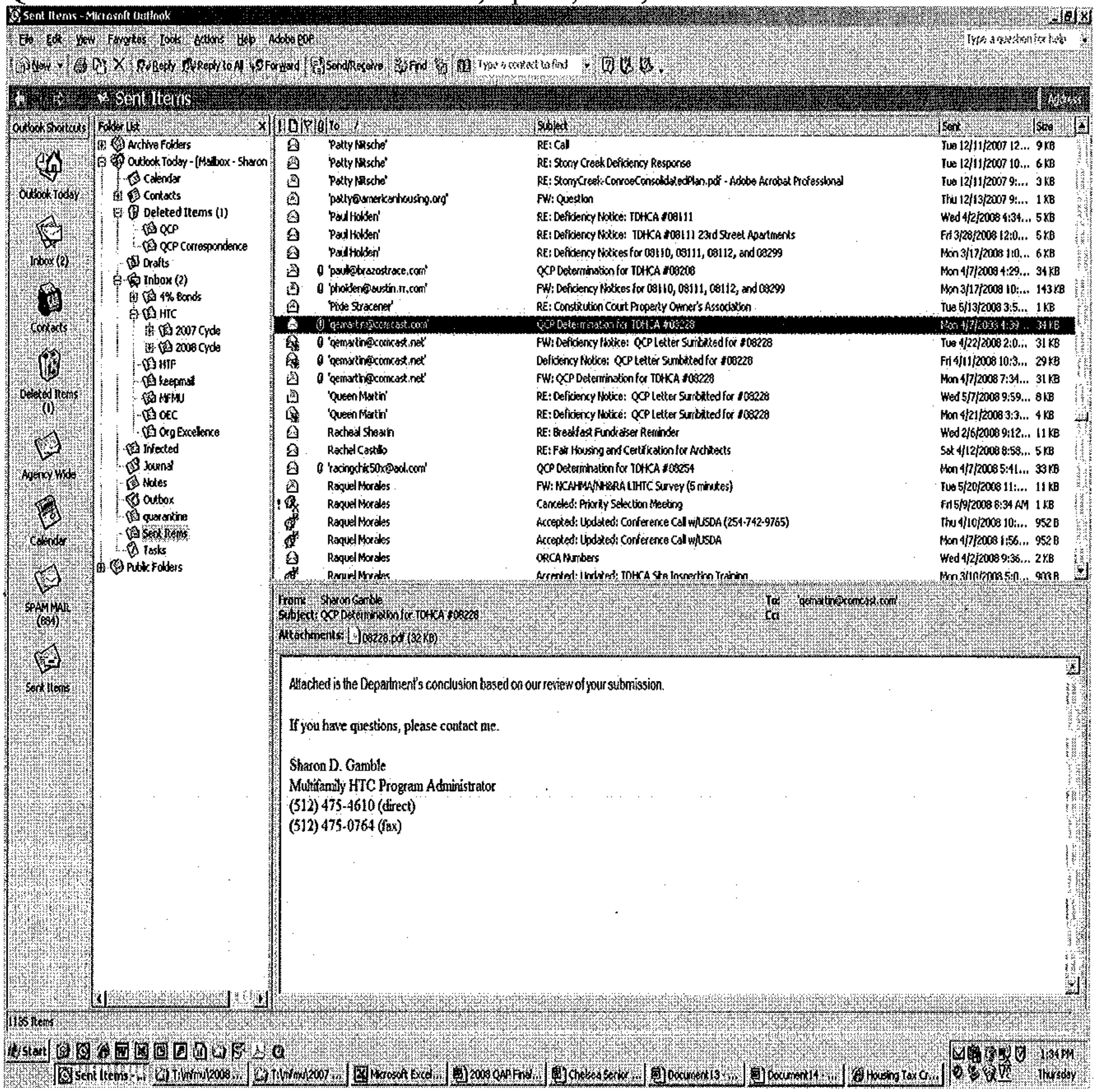
Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

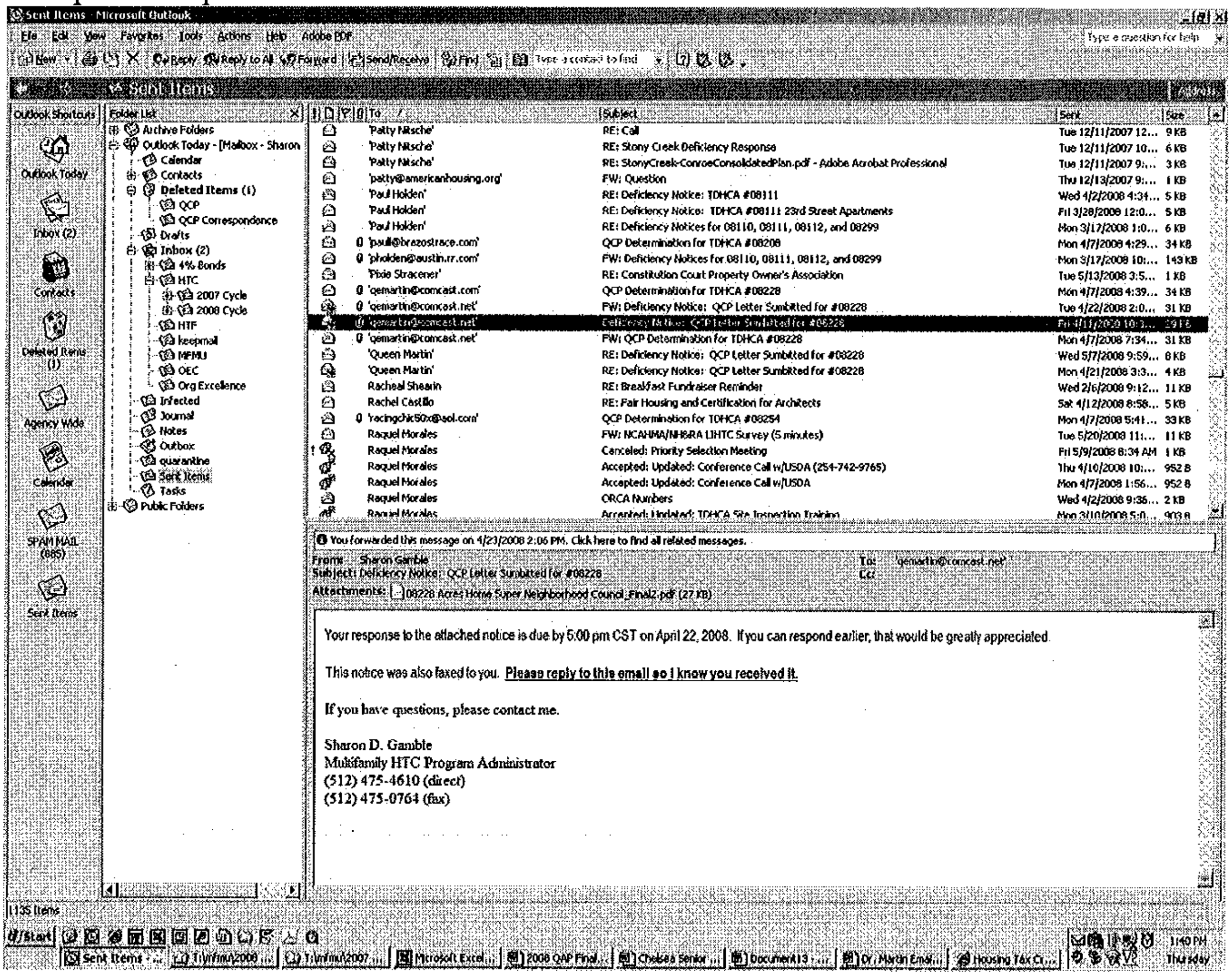
Sincerely,

Michael Gerber
Executive Director

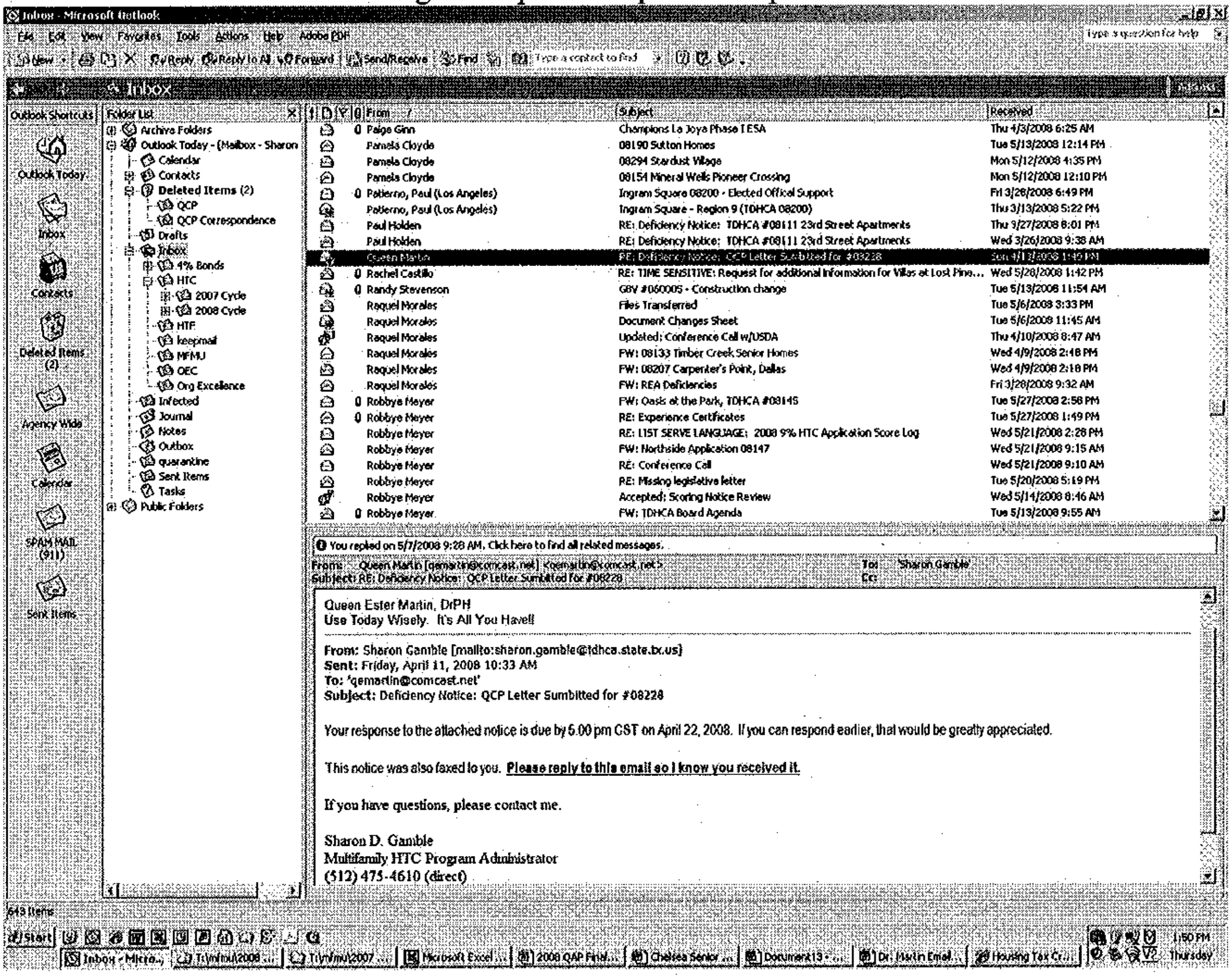
QCP Determination emailed to Dr. Martin, April 7, 2008, shows attachment



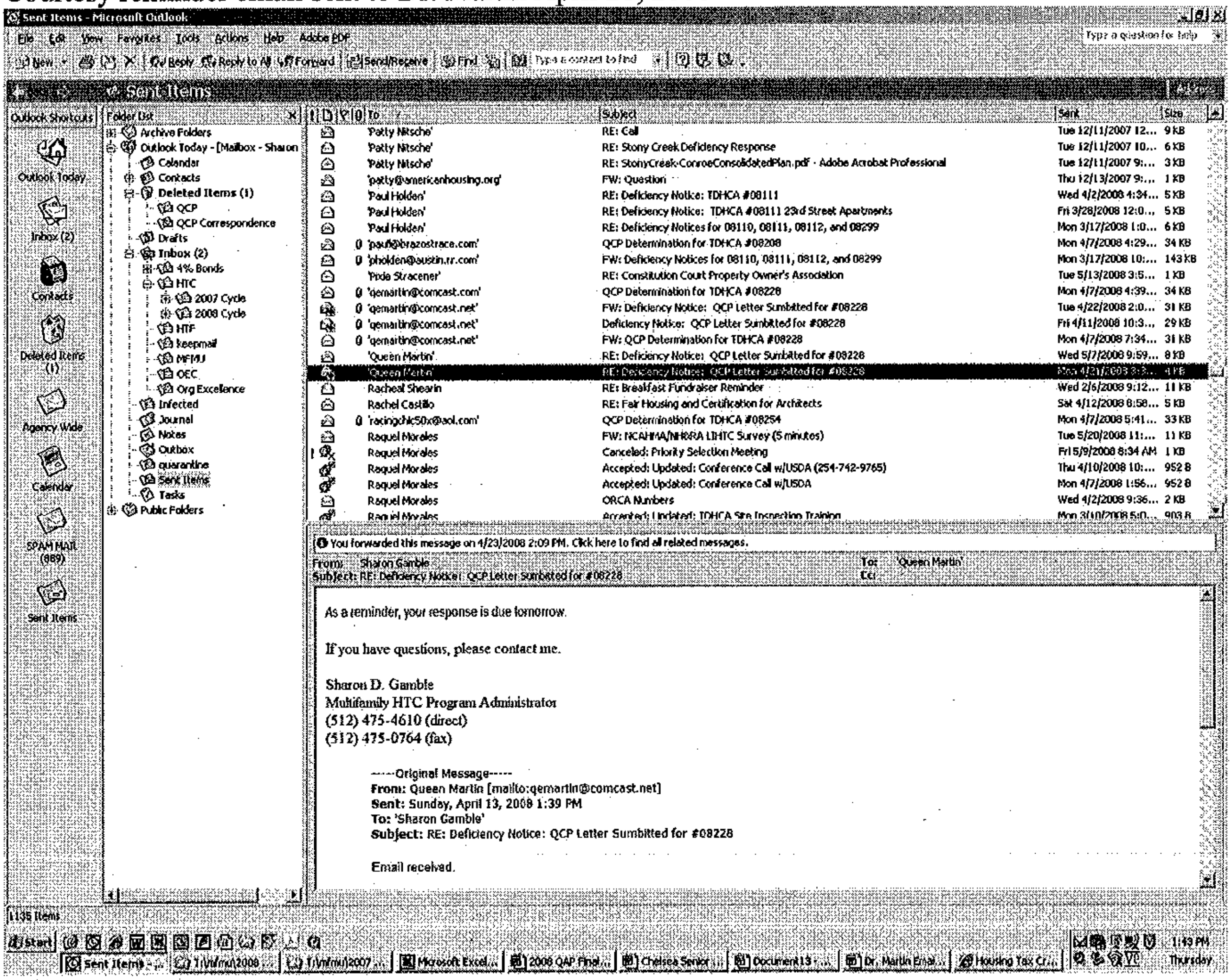
Deficiency Notice emailed to Dr. Martin, April 11, 2008, shows attachment and request for replied receipt.



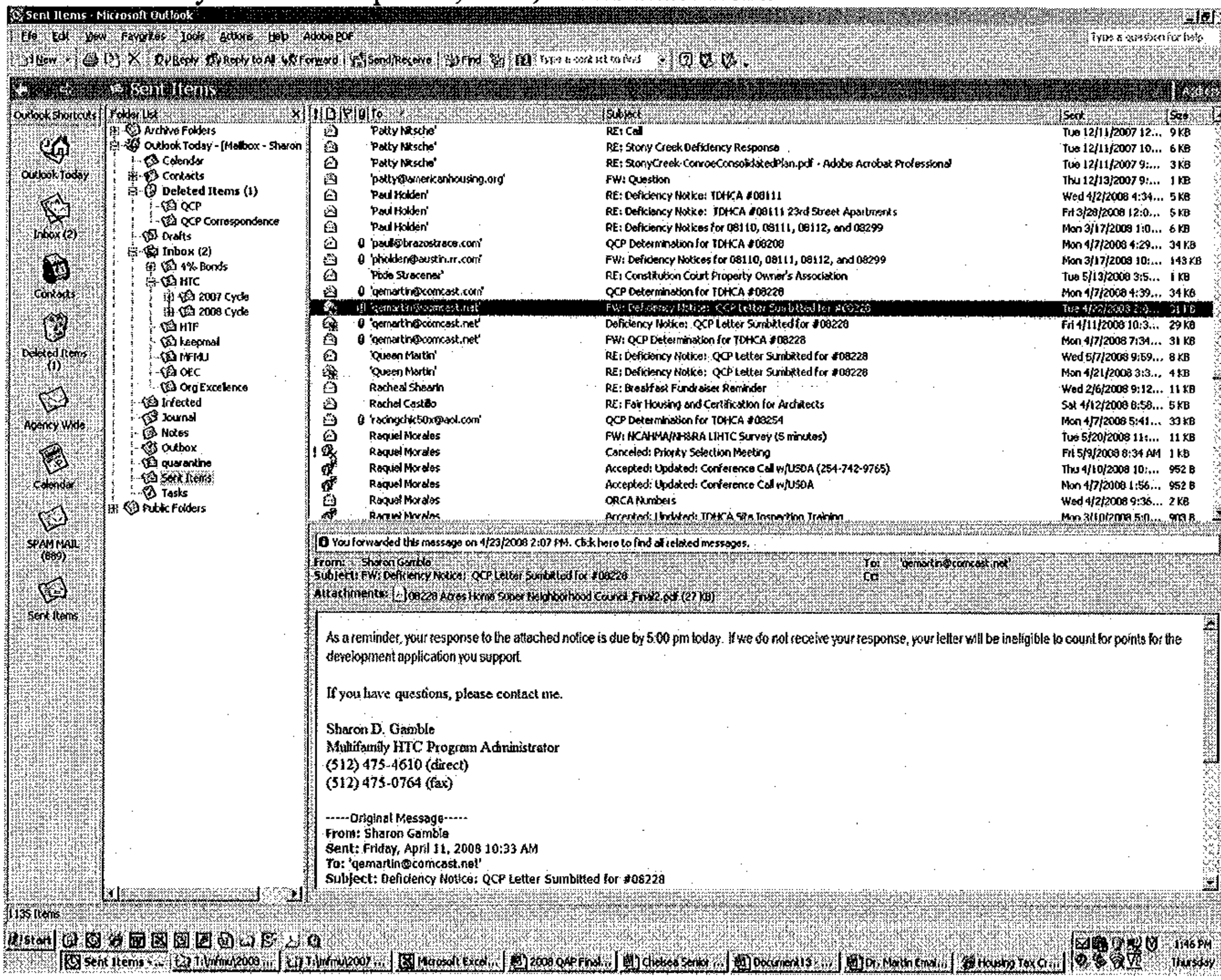
Email from Dr. Martin submitting the requested replied receipt.



Courtesy reminder email sent to Dr. Martin April 21, 2008



Second courtesy email sent April 22, 2008, shows attachment.


You forwarded this message on 4/23/2008 2:07 PM. Click here to find all related messages.

From: Sharon Gamble
To: 'qemartin@comcast.net'
Subject: FW: Deficiency Notice: QCP Letter Sumbitted for #08228
Attachments: 08228 Acres Home Super Neighborhood Council_Final2.pdf (27 KB)

As a reminder, your response to the attached notice is due by 5:00 pm today. If we do not receive your response, your letter will be ineligible to count for points for the development application you support.

If you have questions, please contact me.

Sharon D. Gamble
Multifamily HTC Program Administrator
(512) 475-4610 (direct)
(512) 475-0764 (fax)

-----Original Message-----
From: Sharon Gamble
Sent: Friday, April 11, 2008 10:33 AM
To: 'qemartin@comcast.net'
Subject: Deficiency Notice: QCP Letter Sumbitted for #08228

08228
Appeal
Documentation

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08228, Chelsea Senior Community

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☑ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

CHELSEA SENIOR COMMUNITY
1106 Clayton Lane, Suite 524W
Austin, TX 78723
Phone: (512)458-5577 **Fax:(512) 458-5565**

May 22, 2008

Michael Gerber
Executive Director
TDHCA
221 East 11th Street
Austin, TX 78701

Re: Appeal for QCP Letter of Support
TDHCA # 08228

Dear Mr. Gerber:

I am writing to appeal the decision by TDHCA to disqualify the QCP letter of support provided by Acres Homes Super Neighborhood Council ("Neighborhood Organization"). This decision was based on the fact that the Neighborhood Organization's response to the Deficiency Notice dated April 11, 2008 was submitted on April 24, 2008 rather than April 22, 2008 as stipulated in the Deficiency Notice.

The reason for the delay in responding was due to the fact that the Deficiency Notice was not attached to the email sent to the Neighborhood Organization by TDHCA on April 11, 2008. Please see the enclosed letter dated April 24, 2008 by the President of the Neighborhood Organization, Dr. Queen Martin. Although TDHCA sent reminders by email on April 21 and April 22, 2008, the day the response was due, the Neighborhood Organization did not get 7 business days to respond as stipulated in section 50.9(i)(2)(C) of the QAP. We believe that it is the intent of the QAP to provide Neighborhood Organizations with adequate opportunity to respond to notices via the primary means of communicating with TDHCA. In this case, it is through email.

Accordingly, we respectfully request that the Neighborhood Organization's letter of support be restored and 24 points awarded to the application. Please let me know if you have any questions or need additional information.

Sincerely,

Cherno M. Njie
General Partner

cc: Encclosures

ACRES HOMES SUPER NEIGHBORHOOD COUNCIL
6719 W. Montgomery
Houston, TX 77091

Phone: (713) 694-3330 **Fax:(713) 695-9771**

April 24, 2008

Sharon Gamble
Multifamily Program Administrator
TDHCA
221 East 11th Street
Austin, TX 78701

Via Facsimile:
512-475-0764

Re: Quantifiable Community Participation
TDHCA # 08228

Dear Ms. Gamble:

I am responding to your letter dated April 11, 2008 regarding our support of this project, a copy of which was sent to me by the applicant. First, let me state that I had not received a copy of said letter until now. On April 13, 2008, I acknowledged receiving your email about sending the letter, but your email did have any attachment. The only letter I received was the one dated April 4, 2008 and that is the one to which I thought I was acknowledging receipt of. I apologize for any confusion regarding this matter.

A copy of the Acres Homes Area map showing the location of the project is enclosed as requested. The boundaries of the area, contained in our By-laws, a copy of which was also submitted with our original letter are: on the North by Veteran Memorial (Stubener Airline), on the South by Pinemont, East by North Shepherd Drive and the West by Arbor Oaks (West Oaks Bayou). I will mail the original of these documents via priority/next day delivery. Please let me know if you have any questions or need additional information.

Sincerely,

Dr. Queen Martin
President

1106 CLAYTON LANE, SUITE 524W
AUSTIN, TX 78723
PHONE: 512-458-5577
FAX: 512-458-5565

Chelsea Seniors, L.P.

Fax

To:	Sharon Gamble	**From:**	Cherno M. Njie
Fax:	512-475-0764	**Pages:**	
Phone:	512-475-4610	**Date:**	5/22/2008
Re:	Appeal for QCP – Points #08228.	**CC:**	

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

● **Comments:**

Sharon,

Enclosed is the letter of appeal to the Executive Director & Board regarding this application. Please let me know if you have any questions

Thanks

Cherno

08228
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Chelsea Senior, L.P.
Cherno Njie
1106 Clayton Lane, Ste. 524W
Austin, TX 78723
Phone #: (512) 458-5577
Fax #: (512) 458-5565
Email: chernonjie@aol.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: jwahi6012@aol.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Chelsea Senior Community, TDHCA Number: 08228

Attention: Cherno Njie

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	165
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	5
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	0
Final Score Awarded to Application by Department:	**191**

Page 2 of Final Scoring Notice: 08228, Chelsea Senior Community

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

§50.9(i)(12) – Housing Needs Characteristics: You entered an incorrect Affordable housing Needs Score. (5 points requested, 4 points awarded)

§50.9(i)(15) – Economic Development Initiatives: In order to be eligible for these points, the Development must be located in an area that has had three (3) or fewer tax credit Developments awarded in the last seven (7) years. In your Application, you requested these points, indicating the City of Houston as the area where the funds must be used. In a Deficiency Notice dated April 22, 2008, you were advised that you do not qualify for these points because the City of Houston has had more than three (3) tax credit Developments receive an award of tax credits in the last seven (7) years. In your response, you did not address the deficiency. (4 points requested, 0 points awarded)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

Appeal Election Form: 08228, Chelsea Senior Community

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08229
Fairwood Commons
Senior Apartments

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Fairwood Commons Senior Apartments, 08229

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

By February 29, 2008, the Department received a letter from the Old Austin Highway Commercial Property Owners Association ("the Association") requesting that their letter be considered for points for Quantifiable Community Participation ("QCP"). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), and are awarded for letters from qualified "neighborhood organizations" that meet the set of criteria outlined by §50.9(i)(2) of the 2008 QAP.

In our review, the letter was found to be ineligible and the Application was awarded a score of 12 for no QCP support. Note that scores will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was ineligible because the Association does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In their appeal submitted by Cynthia Bast of Locke, Lord, Bissell and Liddell, the Applicant asserts that since the QAP specifically states that ""Neighborhood Organizations" include homeowners associations, property owners associations," then these entities are automatically "Neighborhood Organizations." Further, the Applicant states that the phrase "living within the boundaries" can include commercial areas where people work because those people may not "reside" within the boundaries, but when they are at work, they are alive; thus they are "living" there.

The Department disagrees with this interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the definition of a Neighborhood Organization for homeowners association and/or property associations; these organizations must still be "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, people may spend a part of their lives working within the boundaries of the Association, but the Association failed to provide evidence that they are an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood; therefore the points were not awarded.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Fairwood Commons Associates, LP
Site Location:	S. Side of Old Austin Hwy Appx 250' E. of Hasler Blvd.
City/County:	Bastrop/Bastrop
Regional Allocation Category:	Rural
Set Aside	None
Population Served:	Elderly
Region:	7
Type of Development:	New Construction
Units:	66
Credits Requested:	$499,000

Staff Recommendation:	The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08229
Executive Director
Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 3, 2008

Mr. David Rae
Fairwood Commons Associates, LP
1200 112th Avenue NE, #C-143
Bellevue, WA 98004
Telephone: (425) 455-3879
Facsimile: (425) 454-3468

Re: Appeal Received for Fairwood Commons Senior Apartments, TDHCA #08229

Dear Mr. Rae:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the eligibility of a letter from the Old Austin Highway Commercial Property Owners Association ("the Association") requesting that the letter be considered for points under §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was ineligible because the Association does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In your appeal submitted by Cynthia Bast of Locke, Lord, Bissell and Liddell, you assert that since the QAP specifically states that ""Neighborhood Organizations" include homeowners associations, property owners associations," then these entities are automatically "Neighborhood Organizations." Further, you state that the phrase "living within the boundaries" can include commercial areas where people work because those people may not "reside" within the boundaries, but when they are at work, they are alive; thus they are "living" there.

The Department disagrees with your interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the definition of a Neighborhood Organization for homeowners association and/or property associations; these organizations must still be "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, people may spend a part of their lives working within the boundaries of the Association, but the Association failed to provide evidence that they are an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood; therefore the points were not awarded.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08229
Appeal
Documentation

LLB&L

Locke Lord Bissell & Liddell LLP
Attorneys & Counselors

100 Congress Avenue, Suite 300
Austin, Texas 78701
Telephone: 512-305-4700
Fax: 512-305-4800
www.lockelord.com

Cynthia L. Bast
Direct Telephone: 512-305-4707
Direct Fax: 512-391-4707
cbast@lockelord.com

May 23, 2008

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Appeal for Fairwood Commons Senior Apartments (the "**Development**")
TDHCA No. 08229

Dear Mike:

We represent the tax credit applicant for the above-referenced project. On behalf of our client, we wish to appeal the recent determination that the letter of support submitted by the Old Austin Highway Commercial Property Owners Association does not qualify for points for "Quantifiable Community Participation".

Background Information

Section 50.9(i)(2) of the QAP permits an applicant to receive points for a letter of support that evidences Quantifiable Community Participation by a neighborhood organization. "Neighborhood Organization" is defined as:

> An organization that is composed of persons living near one another within the organization's defined boundaries for the neighborhood and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. A neighborhood organization includes a homeowners' association or a property owners' association.

This definition in the QAP is an exact recital of the definition of "Neighborhood Organization" found in TDHCA's governing statute at Section 2306.004(23-a) of the Texas Government Code.

The Old Austin Highway Commercial Property Owners Association (the "**Organization**") encompasses the site for the proposed Development. The Organization meets the definition of a property owner's association under Section 202.001(2) of the Texas Property Code.

The area covered by the Organization encompasses both developed and non-developed tracts. The developed tracts include the commercial uses of a bank, a restaurant, and an office building. The undeveloped tracts are intended to be residential – one tract is intended for a retirement home, and the other tract is intended for the proposed elderly Development.

After discussing the proposed Development with the applicant, the property owners recognized the benefit of forming the Organization to ensure the undeveloped tracts would be developed, and all tracts would be operated, in a manner consistent with an overall plan. The Organization worked closely with the applicant for the design of the proposed Development. Satisfied that the proposed Development would be appropriate for the community and the eventual residents, the Organization submitted a letter of support for the Development's tax credit application. The applicant was denied points for this letter. TDHCA staff indicated that the Organization was not qualified to receive Quantifiable Community Participation points because there are no people living within the boundaries of the Organization at this time.

The applicant believes this is an incorrect interpretation of the definition of "Neighborhood Organization" and that the Organization's letter is entitled to receive the full points for Quantifiable Community Participation.

Points to Consider

TDHCA should permit the Organization's letter to qualify for the Quantifiable Community Participation points for the following reasons:

- The definition of a "Neighborhood Organization" specifically states:

  A neighborhood organization <u>includes</u> a homeowners' association or a property owners' association. (emphasis added)

  It does not say that a Neighborhood Organization <u>may</u> include a property owners' association. It does not say that a Neighborhood Organization includes a property owners' association <u>if</u> there are persons living near one another. It simply says that a Neighborhood Organization <u>includes</u> a property owners' association. The Organization meets the statutory definition of a property owners' association and therefore, by the plain language of the statute and the QAP, should qualify as a Neighborhood Organization for purposes of Quantifiable Community Participation.

- Although TDHCA staff has indicated that there are no persons living near one another within the boundaries of the Organization, the applicant asserts that is not the case. There are people working in the bank, the restaurant, and the office building every day. These people are living and have every right to express an interest in the area that they occupy daily. Just because they are not <u>residing</u> on site does not mean they are not <u>living</u> on site. If the Legislature had intended to limit a Neighborhood Organization's input to that of residents, then it could have said so.

- The applicant worked extensively with the Organization in the design of the proposed Development to ensure that it would complement the plans for the area. This is exactly what the Quantifiable Community Participation concept was intended to do. It was intended to make developers accountable to and responsive to the needs and interests of a neighborhood or community. This applicant should not be punished in the competitive process for meeting the intent and spirit of Quantifiable Community Participation, simply because of a difference in interpretation of a definition.

- If staff's decision is upheld, it will put developments for senior citizens at a disadvantage in the competitive process for tax credits. This proposed Development is located in an area that is near all the amenities that would be needed by senior citizens. The future residents could walk to get groceries or prescriptions. They could walk to the bank and to restaurants, or access bus service. They will be near the social activities of a proposed retirement home. This is exactly where a housing complex for senior citizens should be located. If a property for senior citizens is placed in the middle of a residential subdivision, the tenants will not have easy access to amenities that they need. Yet, if a property placed in an amenity-rich area will not receive competitive points because there are no adjacent homeowners, but a property placed in a residential subdivision will receive competitive points, TDHCA will effectively encourage applicants to site elderly projects in areas that may not be conducive to elderly living, just to get the points. By allowing a property owners association to qualify as a "Neighborhood Organization", as the Legislature intended, TDHCA will allow elderly developments in prime locations to be treated equally with developments in residential subdivisions.

Conclusion and Request

Based on the information submitted above, the Organization's letter of support should qualify for points under Section 49.9(I)(2) of the QAP for Quantifiable Community Participation. Should the Executive Director deny this appeal, we request that it be considered at the next available Board meeting.

If you need additional information to process this request, please let me know.

Sincerely,

Cynthia L Bast

Cynthia L. Bast

cc: Campbell-Hogue & Associates
Bastrop Housing Authority
Old Austin Highway Commercial Property Owners Association

08229
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Fairwood Commons Associates, LP
David G. Rae
1200-112th Ave. NE, #C-143
Bellevue, WA 98004
Phone #: (425) 455-3879
Fax #: (425) 454-3468
Email: davidr@campbell-hogue.com
Second Email: terryc@campbell-hogue.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Fairwood Commons Senior Apartments, TDHCA Number: 08229

Attention: David G. Rae

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Rural   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	167
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	167
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	167
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	0
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	6
Final Score Awarded to Application by Department:	**199**

Page 2 of Final Scoring Notice: 08229, Fairwood Commons Senior Apartments

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

Appeal Election Form: 08229, Fairwood Commons Senior Apartments

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: **If you do not wish to appeal this notice, you do not need to submit this form.**

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08261
Towne Center
Apartment Homes

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Towne Center Apartment Homes, 08261

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

By February 29, 2008, the Department received a letter from Wyndham Acres requesting that their letter be considered for points for Quantifiable Community Participation ("QCP"). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), and are awarded for letters from qualified "neighborhood organizations" that meet the set of criteria outlined by §50.9(i)(2) of the 2008 QAP.

In our review, the letter was found to be ineligible and the Application was awarded a score of 12 for no QCP support. Note that scores will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was determined to be ineligible because Wyndham Acres does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In their appeal, the Applicant asserts that since the QAP specifically states that ""Neighborhood Organizations" include property owners associations," then these entities are automatically

"Neighborhood Organizations." The Applicant states that "property owners often create an association prior to any persons "living within the boundaries" in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development."

The Department agrees that often developers create organizations as they develop property, but the Department disagrees with this interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the complete definition of a Neighborhood Organization for homeowners association and/or property associations. These organizations must still meet the full definition of "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, the intent of the QAP requirement that the organization be an organization of persons living near one another within the organization's defined boundaries is so that those persons who actually reside there have input on development within their boundaries, and the Applicant can receive points for providing the organization an opportunity to give their input.

The fact that the Department found Wyndham Acres ineligible does not infringe upon the property owner's ability to "create an association prior to any persons living within the boundaries in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development." This is a "planned development". There are no persons living within the boundaries of the Wyndham Acres organization at this time; therefore the points were not awarded.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Bryan Towne Center Apartment Homes, L.P.
Site Location:	1301 Prairie Drive
City/County:	Bryan/Brazos
Regional Allocation Category:	Urban
Set Aside	None
Population Served:	Elderly
Region:	8
Type of Development:	New Construction
Units:	148
Credits Requested:	$1,099,702

Staff Recommendation:	The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08261
Executive Director
Appeal Response

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 5, 2008

Mr. Michael Lankford
Bryan Towne Center Apartment Homes, L.P.
4900 Woodway, Suite 750
Houston, Texas 77056
Telephone: (713) 626-9655
Facsimile: (713) 621-4947

Re: Appeal Received for Towne Center Apartment Homes, TDHCA #08261

Dear Mr. Lankford:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the eligibility of a letter from Wyndham Acres requesting that the letter be considered for points under §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was determined to be ineligible because Wyndham Acres does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In your appeal, you assert that since the QAP specifically states that ""Neighborhood Organizations" include property owners associations," then these entities are automatically "Neighborhood Organizations." You state that "property owners often create an association prior to any persons "living within the boundaries" in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development."

The Department disagrees with your interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the complete definition of a Neighborhood Organization for homeowners association and/or property associations. These organizations must still meet the full definition of "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, the intent of the QAP requirement that the organization be an organization of persons living near one another within the organization's defined boundaries is so that those persons who actually reside there have input on development within their boundaries, and the Applicant can receive points for providing the organization an opportunity give their input. This is a "planned development". There are no persons living within the boundaries of the Wyndham Acres association at this time; therefore the points were not awarded.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08261
Appeal
Documentation

LANKFORD INTERESTS
DEVELOPMENT * CONSTRUCTION * PROPERTY MANAGEMENT

May 22, 2008

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: TDHCA # 08261 Towne Center Apartment Homes Appeal

Dear Michael,

Per the attached scoring notice dated May16, 2008 I wish to appeal ***Section 50.9(i)(2) Quantifiable Community Support.*** I have checked the box that will, as I understand it, be automatically placed as an agenda item to the June 26, 2008 Board Meeting should the staff appeal be denied. I also understand that in order to appeal to the Board on June 26, 2008 the deadline for resubmitting is 5:00 P.M. June 19, 2008, but staff is strongly requesting the documentation be submitted by 12:00 P.M. June 12, 2008 that I will do my best to meet.

Michael, I believe the basis this appeal is fairly simple in scope. It relates to an interpretation of the 2008 QAP by staff rather than for a lack of a better term the "actual wording of the selection criteria Section(s)" of the 2008 QAP. As you probably know I have been involved in the TDHCA program for over 10 years, Past TAAHP President and ironically enough was asked by Edwina to serve on a working panel to address the neighborhood issue, so I truly understand the difficulty that can arise in these types of situations and commend yourself, Brooke, Robbye, Kevin and the rest of your staff in evaluating each appeal on its own merits and making the fairest judgment possible.

1.) I would like to first address ***Section 50.9(i)(2) Quantifiable Community Support.*** I believe the crucial and/or determining factor in the receipt of the points is within the wording of (A)(iv) (page 46) which is the "Definition of a Neighborhood Association". While it does clearly state that it is defined as an organization of persons ***living near one another*** within the defined boundaries, it goes further to state that "Neighborhood Organizations" ***include homeowners associations, property owners associations......*** this is where the dilemma comes in. It is very common place for a developer or property owner to create an association prior to "***any persons living near one another***" in order to create deed restrictions, etc. in order to better inform, control and place in writing what is and is not allowed within the boundaries of a newly created development. While the intent of Section 50.9(i)(2) may be for the Neighborhoods to have "persons living near one another" (A)(iv) very clearly states that a Neighborhood Organization includes homeowner and property owner associations and I do not think there is any question that TDHCA # 08262 meets the definition of a property owners association. Therefore I would respectfully request that TDHCA # 08262 be awarded the 12 additional points available under Section 50.9(i)(2) of the 2008 QAP.

Sincerely,

Michael Lankford

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Bryan Towne Center Apartment Homes, L.P.
Michael Lankford
4900 Woodway, Ste. 750
Houston, TX 77056
Phone #: (713) 626-9655
Fax #: (713) 621-4947
Email: mlankford@lankfordinterests.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: bdehn-benson@lankfordinterests.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Towne Center Apartments Homes, TDHCA Number: 08261

Attention: Michael Lankford

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	0
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	4
Final Score Awarded to Application by Department:	**200**

Page 2 of Final Scoring Notice: 08261, Towne Center Apartments Homes

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08261, Towne Center Apartments Homes

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☑ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ____________________

Title APPLICANT, MANAGER G.P.

Date 5.22.08

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

points to be awarded or deducted based on written statements from organizations that were not identified by the process utilized for notification purposes under subsection (h)(8)(A)(ii) of this section if the organization provides the information and documentation required in subparagraphs (A) - (C) of this paragraph. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.

(A) Basic Submission Requirements for Scoring. Each Neighborhood Organization may submit one letter (and enclosures) that represents the organization's input. In order to receive a point score, the letter (and enclosures) must be received or postmarked (or similar tracking system) by the Department no later than February 29, 2008, for letters relating to Applications that submitted a Pre-Application, or April 1, 2008 if a Pre-Application was not submitted. Letters should be addressed to the Texas Department of Housing and Community Affairs, "Attention: Executive Director (Neighborhood Input)." Letters received after the applicable deadline will be summarized for the Board's information and consideration, but will not affect the score for the Application. The organization's letter (and enclosures) must:

(i) State the name and location of the proposed single Development;

(ii) Certify that the letter is signed by the person with the authority to sign on behalf of the neighborhood organization, and provide:

(I) the street and/or mailing addresses;

(II) day and evening phone numbers;

(III) and e-mail addresses and/or facsimile numbers for the signer of the letter; and

(IV) for one additional contact including their contact information for the organization;

(iii) Certify that the organization has boundaries, and that the boundaries in effect February 29, 2008 contain the proposed Development Site;

(iv) Certify that the organization meets the definition of "Neighborhood Organization as defined in §50.3(63) of this title." For the purposes of this section, a "Neighborhood Organization" is defined as an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. "Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations.

(v) Include documentation showing that the organization is on record as of February 29, 2008 with the state or county in which the Development is proposed to be located. The receipt of a QCP letter, by the ~~Department on or before February 29, 2008, that~~ meets the requirements outlined in the QCP neighborhood information packet and the 2008 QAP, will constitute being on record with the State.

The Neighborhood Organization must include in its letter, a contact name with a mailing address and phone number; and a written description and map of the organization's geographical boundaries, as well as proof that the boundaries described were in effect as of February 29, 2008. This request must be received no later than February 29, 2008. Acceptance of this documentation will be subject to Department approval. The Department is permitted to issue a deficiency notice for this registration process and if satisfied, the organization will still be deemed to be timely placed on record with the state.

(vi) Accurately certify that the Neighborhood Organization was not formed by any Applicant, Developer, or any employee or agent of any Applicant (the seller of land is not considered, with the exception of an identity of interest, to be an agent of the Application) in the 2008 Competitive Housing Tax Credit Application Round, that the organization and any member did not accept money or a gift to cause the Neighborhood Organization to take its position of support or opposition, and has not provided any assistance other than education and information sharing to the Neighborhood Organization to meet the requirements of this subparagraph for any Application in the

08261
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Bryan Towne Center Apartment Homes, L.P.
Michael Lankford
4900 Woodway, Ste. 750
Houston, TX 77056
Phone #: (713) 626-9655
Fax #: (713) 621-4947
Email: mlankford@lankfordinterests.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: bdehn-benson@lankfordinterests.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Towne Center Apartments Homes, TDHCA Number: 08261

Attention: Michael Lankford

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	170
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Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	0
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	4
Final Score Awarded to Application by Department:	**200**

Page 2 of Final Scoring Notice: 08261, Towne Center Apartments Homes

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

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Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08261, Towne Center Apartments Homes

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08262
Lake View Apartment Homes

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Lake View Apartment Homes, 08262

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

§50.9(i)(2) of the 2008 QAP, Quantifiable Community Participation ("QCP")

By February 29, 2008, the Department received a letter from Northchase Development Neighborhood Association ("the Association") requesting that their letter be considered for points for Quantifiable Community Participation ("QCP"). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), and are awarded for letters from qualified "neighborhood organizations" that meet the set of criteria outlined by §50.9(i)(2) of the 2008 QAP.

In our review, the letter was found to be ineligible and the Application was awarded a score of 12 for no QCP support. Note that scores will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was determined to be ineligible because the Association does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In their appeal, the Applicant asserts that since the QAP specifically states that ""Neighborhood Organizations" include property owners associations," then these entities are automatically "Neighborhood Organizations." The Applicant states that "property owners often create an association prior to any persons "living within the boundaries" in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development."

The Department disagrees with this interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the complete definition of a Neighborhood Organization for homeowners association and/or property associations. These organizations must still meet the full definition of "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, the intent of the QAP requirement that the organization be an organization of persons living near one another within the organization's defined boundaries is so that those persons who actually reside there have input on development within their boundaries, and the Applicant can receive points for providing the organization an opportunity to give their input.

The fact that the Department found the Association ineligible does not infringe upon the property owner's ability to "create an association prior to any persons living within the boundaries in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development." This is a "planned development". There are no persons living within the boundaries of the Association at this time; therefore the points were not awarded.

§50.9(i)(18) of the 2008 QAP, Demonstration of Community Support other than Quantifiable Community Participation ("Support other than QCP")

In their Application submitted on February 29, 2008, the Applicant included a letter from Comfort Keepers, a privately owned, for profit business that provides in-home care services. The letter was not awarded points under §50.9(i)(18) of the 2008 QAP because Comfort Keepers only provides benefits and services to their paying customers in the community and not the community at large.

In their appeal, the Applicant states that the QAP does not state that a privately owned company cannot provide letters of support for the purpose of scoring points. Privately-owned businesses are eligible to submit letters of support for points under this section of the QAP. Businesses that are for profit would need to demonstrate how they promote the community and that promoting the community is their primary mission. While Comfort Keepers provides services that ultimately benefit members of the community, these benefits are only provided to paying customers and not the community at large. Comfort Keepers' website is clear that their services are reserved for their clients; therefore the letter is not eligible and the points were not awarded.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Tyler Lake View Apartment Homes, L.P.
Site Location:	N. Broadway at Loop 323
City/County:	Tyler/Smith
Regional Allocation Category:	Urban
Set Aside	None
Population Served:	Elderly
Region:	4
Type of Development:	New Construction
Units:	140
Credits Requested:	$1,150,000

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08262
Executive Director
Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham-Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

June 5, 2008

Mr. Michael Lankford
Tyler Lake View Apartment Homes, L.P.
4900 Woodway, Suite 750
Houston, Texas 77056
Telephone: (713) 626-9655
Facsimile: (713) 621-4947

Re: Appeal Received for Lake View Apartment Homes, TDHCA #08262

Dear Mr. Lankford:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the eligibility of a letter from the Northchase Development Neighborhood Organization requesting that the letter be considered for points under §50.9(i)(2), Quantifiable Community Participation ("QCP"), and §50.9(i)(18), Demonstration of Community Support Other Than Quantifiable Community Participation ("Support Other Than QCP") of the 2008 Qualified Allocation Plan and Rules ("QAP").

§50.9(i)(2) of the 2008 QAP, Quantifiable Community Participation ("QCP")

A letter submitted for QCP from the Northchase Development Neighborhood Association was found to be ineligible because it did not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In your appeal, you assert that since the QAP specifically states that ""Neighborhood Organizations" include property owners associations," then these entities are automatically

"Neighborhood Associations." You state that "property owners often create an association prior to any persons "living within the boundaries" in order to create deed restrictions, etc. in order to better inform, control, and place in writing what is and is not allowed within the boundaries of a newly created development."

The Department disagrees with your interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the complete definition of a Neighborhood Organization for homeowners association and/or property associations. These organizations must still meet the definition of "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, the intent of the QAP requirement that the organization be an organization of persons living near one another within the organization's defined boundaries is so that those persons who live there have input on development within their boundaries, and the Applicant can receive points for providing the organization an opportunity give their input. There are no persons living within the boundaries of the Northchase Development Neighborhood Organization at this time; therefore the points were not awarded.

In reviewing your Application, the staff pointed out that no neighborhood organization is listed on the Volume 1, Tab 3, *Public Notification and Information Certification* form submitted with your Pre-Application or on the Volume 1, Tab 8, *Public Notification and Information Certification* form submitted with the full Application. On the Volume 3, Tab 3, *Certification of Notifications*, you certify that there are no neighborhood organizations. Finally, in Volume 4, Tab 16, *Demonstration of Community Support Other Than Quantifiable Community Participation*, you certified that "there are no neighborhood organizations that meet the Department's definition of Neighborhood Organization pursuant to §50.9(i)(2)(A)(iv) of the QAP". By your own admission, the Pre-Application and Application clearly demonstrate your certification that no qualified neighborhood organization exists.

§50.9(i)(18) of the 2008 QAP, Demonstration of Community Support other than Quantifiable Community Participation ("Support other than QCP")

In your appeal, you state that the QAP does not state that a privately owned company cannot provide letters of support for the purpose of scoring points. Privately-owned businesses are eligible to submit letters of support for points under this section of the QAP. Businesses that are for profit would need to demonstrate how they promote the community and that promoting the community is their primary mission. While Comfort Keepers provides services that ultimately benefit members of the community, these benefits are only provided to paying customers and not the community at large. Comfort Keepers' website is clear that their services are reserved for their clients; therefore the letter is not eligible and the points were not awarded.

Appeal Determination

Your appeal of both point items is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08262
Appeal
Documentation

LANKFORD INTERESTS
DEVELOPMENT * CONSTRUCTION * PROPERTY MANAGEMENT

May 22, 2008

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: TDHCA # 08262 Lake View Apartment Homes Appeal

Dear Michael,

Per the attached scoring notice dated May16, 2008 I wish to appeal two (2) Scoring Items and the Points Awarded. Each of the appeal shall act as a separate appeal; however each will be addressed in this one (1) letter. As you can see from the attached notice I have checked the box that will, as I understand it, be automatically placed as an agenda item to the June 26, 2008 Board Meeting. I also understand that in order to appeal to the Board on June 26, 2008 the deadline for resubmitting is 5:00 P.M. June 19, 2008, but staff is strongly requesting the documentation be submitted by 12:00 P.M. June 12, 2008 that I will do my best to meet.

Michael, I believe the basis for both of my appeals are fairly simple in scope. It/they relate to an interpretation of the 2008 QAP by staff rather than for a lack of a better term the "actual wording of the selection criteria Section(s)" of the 2008 QAP. As you probably know I have been involved in the TDHCA program for over 10 years, Past TAAHP President and ironically enough was asked by Edwina to serve on a working panel to address the neighborhood issue so I truly understand the difficulty that can arise in these types of situations and commend yourself, Brooke, Robbye, Kevin and the rest of your staff in evaluating each appeal on its own merits and making the fairest judgment possible.

1.) I would like to first address ***Section 50.9(i)(2) Quantifiable Community Support***. I believe the crucial and/or determining factor in the receipt of the points is within the wording of (A)(iv) (page 46) which is the "Definition of a Neighborhood Association". While it does clearly state that it is defined as an organization of persons ***living near one another*** within the defined boundaries, it goes further to state that "Neighborhood Organizations" ***include homeowners associations, property owners associations......*** this is where the dilemma comes in. It is very common place for a developer or property owner to create an association prior to "***any persons living near one another***" in order to create deed restrictions, etc. in order to better inform, control and place in writing what is and is not allowed within the boundaries of a newly created development. While the intent of Section 50.9(i)(2) may be for the Neighborhoods to have "persons living near one another" (A)(iv) very clearly states that a Neighborhood Organization includes homeowner and property owner associations and I do not think there is any question that TDHCA # 08262 meets the definition of a property owners association. Therefore I would respectfully request that TDHCA # 08262 be awarded the 12 additional points available under Section 50.9(i)(2) of the 2008 QAP.

2.) I would next like to address ***Section 50.9(i)(18) Community Support Other than QCP***. Obviously this appeal will not be necessary nor in affect if the above appeal request is granted. Section 50.9(18) on page 54 of the 2008 QAP goes into great detail outlining what a "***community or civic organization***" can and cannot be, however nowhere within the Section does it say the community or service organization cannot be privately owned. Again, Michael while the intent may be to exclude any privately owned entities, nowhere within the Section does it expressly say that. So again I would respectfully request that the 2 points deducted under Section 50.9(i)(18) be reinstated.

Sincerely,

Michael Lankford

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08262, Lake View Apartment Homes

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

- [x] I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

- [ ] I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________

Title APPLICANT / MANAGER, G.P.

Date 5.

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

points to be awarded or deducted based on written statements from organizations that were not identified by the process utilized for notification purposes under subsection (h)(8)(A)(ii) of this section if the organization provides the information and documentation required in subparagraphs (A) - (C) of this paragraph. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.

(A) Basic Submission Requirements for Scoring. Each Neighborhood Organization may submit one letter (and enclosures) that represents the organization's input. In order to receive a point score, the letter (and enclosures) must be received or postmarked (or similar tracking system) by the Department no later than February 29, 2008, for letters relating to Applications that submitted a Pre-Application, or April 1, 2008 if a Pre-Application was not submitted. Letters should be addressed to the Texas Department of Housing and Community Affairs, "Attention: Executive Director (Neighborhood Input)." Letters received after the applicable deadline will be summarized for the Board's information and consideration, but will not affect the score for the Application. The organization's letter (and enclosures) must:

(i) State the name and location of the proposed single Development;

(ii) Certify that the letter is signed by the person with the authority to sign on behalf of the neighborhood organization, and provide:

(I) the street and/or mailing addresses;

(II) day and evening phone numbers;

(III) and e-mail addresses and/or facsimile numbers for the signer of the letter; and

(IV) for one additional contact including their contact information for the organization;

(iii) Certify that the organization has boundaries, and that the boundaries in effect February 29, 2008 contain the proposed Development Site;

(iv) Certify that the organization meets the definition of "Neighborhood Organization as defined in §50.3(63) of this title." For the purposes of this section, a "Neighborhood Organization" is defined as an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. "Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations.

(v) Include documentation showing that the organization is on record as of February 29, 2008 with the state or county in which the Development is proposed to be located. The receipt of a QCP letter, by the Department on or before February 29, 2008, that meets the requirements outlined in the QCP neighborhood information packet and the 2008 QAP, will constitute being on record with the State.

The Neighborhood Organization must include in its letter, a contact name with a mailing address and phone number; and a written description and map of the organization's geographical boundaries, as well as proof that the boundaries described were in effect as of February 29, 2008. This request must be received no later than February 29, 2008. Acceptance of this documentation will be subject to Department approval. The Department is permitted to issue a deficiency notice for this registration process and if satisfied, the organization will still be deemed to be timely placed on record with the state.

(vi) Accurately certify that the Neighborhood Organization was not formed by any Applicant, Developer, or any employee or agent of any Applicant (the seller of land is not considered, with the exception of an identity of interest, to be an agent of the Application) in the 2008 Competitive Housing Tax Credit Application Round, that the organization and any member did not accept money or a gift to cause the Neighborhood Organization to take its position of support or opposition, and has not provided any assistance other than education and information sharing to the Neighborhood Organization to meet the requirements of this subparagraph for any Application in the made using the most recent data available as of the date the Application Round opens the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county. These Census Tracts are outlined in the 2007 Housing Tax Credit Site Demographic Characteristics Report.

(D) The proposed Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and is proposed to be located in an elementary school attendance zone of an elementary school that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. The date for consideration of the attendance zone is that in existence as of the opening date of the Application Round and the academic rating is the most current rating determined by the Texas Education Agency as of that same date. (§42(m)(1)(C)(vii))

(E) The proposed Development will expand affordable housing opportunities for low-income families with children outside of poverty areas. This must be demonstrated by showing that the Development will serve families with children (at least 70% of the Units must have an eligible bedroom mix of two bedrooms or more) and that the census tract in which the Development is proposed to be located has no greater than 10% poverty population according to the most recent census data. Intergenerational Developments may qualify for points if 70% of the non-elderly Units in the Development have an eligible bedroom mix of two bedrooms or more. (§42(m)(1)(C)(vii)) These Census Tracts are outlined in the 2008 Housing Tax Credit Site Demographic Characteristics Report.

(17) Development Location in non-urban Areas. §42(m)(1)(C)(i)) Applications may qualify to receive 6 points if the Development is not located in a Rural Area and has a population less than 100,000 based on the most current Decennial Census.

(18) Demonstration of Community Support other than Quantifiable Community Participation: If an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no Neighborhood Organizations that meet the Department's definition of Neighborhood Organization pursuant to §50.3(63) of this title and 12 points were awarded under paragraph (2) of this subsection, then that Applicant may receive two points for each letter of support submitted from a community or civic organization that serves the community in which the site is located. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. The community or civic organization must provide some documentation of its existence in the community in which the Development is located to include, but not be limited to, listing of services and/or members, brochures, annual reports, etc. Letters of support from organizations that are not active in the area that includes the location of the Development will not be counted. For purposes of this item, community and civic organizations do not include neighborhood organizations, governmental entities, taxing entities or educational activities. Organizations that were created by a governmental entity or derive their source of creation from a governmental entity do not qualify under this item. For purposes of this item, educational activities include school districts, trade and vocational schools, charter schools and depending on how characterized could include day care centers; it would not include a PTA or PTO as that is a service organization even though it supports an educational activity. Letters of support received after February 29, 2008, will not be accepted for this item. Two points will be awarded for each letter of support submitted in the Application, not to exceed 6 points. Should an Applicant elect this option and the Application receives letters in opposition by February 29, 2008, then two points will be subtracted from the score for each letter in opposition, provided that the letter is from an organization serving the community. At no time will the Application, however, receive a score lower than zero for this item.

(19) Developments in Census Tracts with No Other Existing Same Type Developments Supported by Tax Credits: The Application may receive 6 points if the proposed Development is located in a census tract in which there are no other existing Developments supported by Housing Tax Credits that serve the same type of household, regardless of whether the development serves families, or elderly individuals (Intergenerational Housing is not a type of household as it relates to this paragraph). Applicant must provide evidence of the census tract in which the Development is located. (§2306.6725(b)(2)) These Census Tracts are outlined in the 2008 Housing Tax Credit Site Demographic Characteristics Report.

(20) Tenant Populations with Special Housing Needs. Applications may qualify to receive 4 points for this item. (§42(m)(1)(C)(v)) The Department will award these points to Applications in which

non-medical • in-home care

Comfort Keepers®

Each Office Independently Owned And Operated

March 28, 2008
RE: Tyler Lake View Apartment Homes, L. P.
Michael Lankford
Tyler Lake View Apartment Homes, L. P.
Manager, GP
4900 Woodway Suite 750
Houston, TX 77056

Dear Mr. Lankford,
We are happy with the prospect of a multi-family housing development for the elderly coming to Tyler. We are writing this letter in support of Lake View Apartment Homes located on North Broadway at Loop 323. This will be near downtown and is very close to a park.

We at Comfort Keepers are a community wide based service provider to the elderly. We provide housekeeping, meal preparation, errands, incidental transportation, and many other services including personal care.

Tyler needs more housing of this type for seniors.

Sincerely,

Barbara Mackey

Barbara Mackey

08262
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Tyler Lake View Apartment Homes, L.P.
Michael Lankford
4900 Woodway, Ste. 750
Houston, TX 77056
Phone #: (713) 626-9655
Fax #: (713) 621-4947
Email: mlankford@lankfordinterests.com

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: bdehn-benson@lankfordinterests.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Lake View Apartment Homes, TDHCA Number: 08262

Attention: Michael Lankford

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	173
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	173
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	173
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	0
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	4
Final Score Awarded to Application by Department:	**203**

Page 2 of Final Scoring Notice: 08262, Lake View Apartment Homes

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08262, Lake View Apartment Homes

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08273
Four Seasons at Clear Creek

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

Four Seasons at Clear Creek, 08273

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

By February 29, 2008, the Department received a letter from the Fort Worth Property Owners Association ("the Association") requesting that their letter be considered for points for Quantifiable Community Participation ("QCP"). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), and are awarded for letters from qualified "neighborhood organizations" that meet the set of criteria outlined by §50.9(i)(2) of the 2008 QAP.

In our review, the letter was found to be ineligible and the Application was awarded a score of 12 for no QCP support. Note that scores will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was ineligible because the Association does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In their appeal submitted by Cynthia Bast of Locke, Lord, Bissell and Liddell, the Applicant asserts that since the QAP specifically states that ""Neighborhood Organizations" include homeowners associations, property owners associations," then these entities are automatically "Neighborhood Organizations." Further, the Applicant states that the area covered by the Association is currently under development and the developer formed the Association for the benefit of future residents; that the whole purpose of a property owners' association is to implement a master plan that will benefit the neighborhood and, the Applicant wonders, why else would the Texas legislature include property owners' associations in the definition of Neighborhood Organization? Finally, the Applicant asserts that the property owners association was created because the existing association was inactive.

The Department disagrees with this interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the definition of a Neighborhood Organization for homeowners association and/or property associations; these organizations must be "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Further, the intent of the QAP requirement that the organization be an organization of persons living near one another within the organization's defined boundaries is so that those persons who actually reside there have input on development within their boundaries, and the Applicant can receive points for providing the organization an opportunity to give their input.

The fact that the Department found the Association ineligible does not infringe upon the Association's ability to form an association "for the benefit of future residents" and "to implement a master plan that will benefit the neighborhood." This is a "planned development". There are no persons living within the boundaries of the Association at this time; therefore the points were not awarded.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Four Seasons at Clear Creek, Ltd.
Site Location:	Oak Grove Shelby and S. Race Street
City/County:	Fort Worth/Tarrant
Regional Allocation Category:	Urban
Set Aside	None
Population Served:	General
Region:	3
Type of Development:	New Construction
Units:	96
Credits Requested:	$841,368

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny.

08273
Executive Director
Appeal Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 5, 2008

Ms. Susan Sheeran
Four Seasons at Clear Creek, Ltd.
212 West Laurel
San Antonio, Texas 78212
Telephone: (210) 281-0234
Facsimile: (210) 281-0238

Re: Appeal Received for Four Seasons at Clear Creek, TDHCA #08273

Dear Ms. Sheeran:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 23, 2008 regarding the eligibility of a letter from the Clear Creek of Fort Worth Property Owners Association ("the Association") requesting that the letter be considered for points under §50.9(i)(2) of the 2008 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was ineligible because the Association does not meet the QAP definition of a Neighborhood Organization. The QAP defines a Neighborhood Organization as "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The QAP goes on to state that ""Neighborhood Organizations" include homeowners associations, property owners associations, and resident councils in which the council is commenting on the Rehabilitation or reconstruction of the property occupied by the residents. "Neighborhood Organizations" do not include broader based "community" organizations."

In your appeal submitted by Cynthia Bast of Locke, Lord, Bissell and Liddell, you assert that since the QAP specifically states that ""Neighborhood Organizations" include homeowners associations and property owners associations," these entities are automatically "Neighborhood Organizations."

Your appeal states that the area covered by the organization is currently under development and the developer of the planned development formed the organization for the benefit of future residents. You further state that the whole purpose of a property owners' association is to implement a master plan that will benefit the neighborhood and why else would the Texas legislature include property owners' associations in the definition of Neighborhood Organization? Finally, you assert that the property owners association was created because the existing association was inactive.

The Department disagrees with your interpretation of the QAP and statute. Neither the rules nor the statute create an automatic exemption to the definition of a Neighborhood Organization for homeowners association and/or property associations; these organizations must be "an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." The Association failed to provide evidence that they are an organization of persons living near one another within the organization's defined boundaries in effect February 29, 2008 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood, therefore the points were not awarded.

Appeal Determination
Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 26, 2008 Board meeting. Any additional Board appeal documentation must be submitted by 5:00 p.m. Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

Michael Gerber
Executive Director

08273
Appeal
Documentation

LB&L
Locke Lord Bissell & Liddell LLP
Attorneys & Counselors

100 Congress Avenue, Suite 300
Austin, Texas 78701
Telephone: 512-305-4700
Fax: 512-305-4800
www.lockelord.com

Cynthia L. Bast
Direct Telephone: 512-305-4707
Direct Fax: 512-391-4707
cbast@lockelord.com

May 23, 2008

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Appeal for Four Seasons at Clear Creek (the "**Development**")
TDHCA No. 08273

Dear Mike:

We represent the tax credit applicant for the above-referenced project. On behalf of our client, we wish to appeal the recent determination that the letter of support submitted by the Clear Creek of Fort Worth Property Owners Association does not qualify for points for "Quantifiable Community Participation".

Background Information

Section 50.9(i)(2) of the QAP permits an applicant to receive points for a letter of support that evidences Quantifiable Community Participation by a neighborhood organization. "Neighborhood Organization" is defined as:

> An organization that is composed of persons living near one another within the organization's defined boundaries for the neighborhood and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. A neighborhood organization includes a homeowners' association or a property owners' association.

This definition in the QAP is an exact recital of the definition of "Neighborhood Organization" found in TDHCA's governing statute at Section 2306.004(23-a) of the Texas Government Code.

The Clear Creek of Fort Worth Property Owners Association (the "**Organization**") covers 156 acres and encompasses the site for the proposed Development. The Organization meets the definition of a property owner's association under Section 209.002(7) of the Texas Residential Property Owners Protection Act. The Organization is formally recognized by the City of Fort Worth.

The area covered by the Organization is under development currently. It will incorporate a variety of uses – single family homes, multifamily apartments, and commercial/retail. When completed, the area will contain 414 single family home sites, 102 duplexes, and 28 acres of park space. More than 1000 people will live together as a community. The developer formed the Organization to ensure that the multiple uses proposed are developed in a manner that is consistent with an overall plan and, more importantly, in a manner that is beneficial to the anticipated residents.

After working closely with the applicant for the design of the proposed Development, the Organization submitted a letter of support for the Development's tax credit application. The applicant was denied points for this letter. TDHCA staff stated:

> . . . the letter submitted for points under §50.9(i)(2) of the 2008 QAP is from a Property Owner's Association representing a community that is planned but does not yet exist. For this reason, the organization does not meet the QAP definition of a Neighborhood Organization and is ineligible.

When the Organization sought clarification from staff, the Organization was told that it was not qualified to receive Quantifiable Community Participation points because there are no people living within the boundaries of the Organization at this time.

The applicant believes this is an incorrect interpretation of the definition of "Neighborhood Organization" and that the Organization's letter is entitled to receive the full points for Quantifiable Community Participation.

Points to Consider

TDHCA should permit the Organization's letter to qualify for the Quantifiable Community Participation points for the following reasons:

- The definition of a "Neighborhood Organization" specifically states:

  A neighborhood organization includes a homeowners' association or a property owners' association. (emphasis added)

  It does not say that a Neighborhood Organization may include a property owners' association. It does not say that a Neighborhood Organization includes a property owners' association if there are persons living near one another. It simply says that a Neighborhood Organization includes a property owners' association. The Organization meets the statutory definition of a property owners' association and therefore, by the plain language of the statute and the QAP, should qualify as a Neighborhood Organization for purposes of Quantifiable Community Participation.

- If the staff's interpretation of the definition of Neighborhood Organization is allowed to prevail, then it will be difficult for any property owners' association to meet the definition of Neighborhood Organization and engage in the Quantifiable Community Participation process. By definition and practice, a property owners' association often is created in anticipation of residential development, before any residents are on site. The whole purpose of a property owners' association is to implement a master plan that will work to the benefit of the neighborhood and the community as the area is developed. Understanding how property owners' associations are created and utilized before homes are built, why would the Legislature include property owners' associations in the definition of Neighborhood Organization if it meant to simultaneously require the presence of persons living near one another?

- The Board heard testimony from the Organization that it was created for three reasons: (1) to create a sense of community, (2) to protect the rights of the property owners and future residents, and (3) because the existing association that encompassed those boundaries was inactive. The applicant worked extensively with the Organization in the design of the proposed Development to ensure that it would complement the plans for the neighborhood. This is exactly what the Quantifiable Community Participation concept was intended to do. It was intended to make developers accountable to and responsive to the needs and interests of a neighborhood or community. This applicant should not be punished in the competitive process for meeting the intent and spirit of Quantifiable Community Participation, simply because of a difference of interpretation of a definition.

Conclusion and Request

Based on the information submitted above, the Organization's letter of support should qualify for points under Section 49.9(i)(2) of the QAP for Quantifiable Community Participation. Should the Executive Director deny this appeal, we request that it be considered at the next available Board meeting.

If you need additional information to process this request, please let me know.

Sincerely,

Cynthia L Bast

Cynthia Bast

cc: The NRP Group
Merced Housing Texas
Clear Creek of Fort Worth POA

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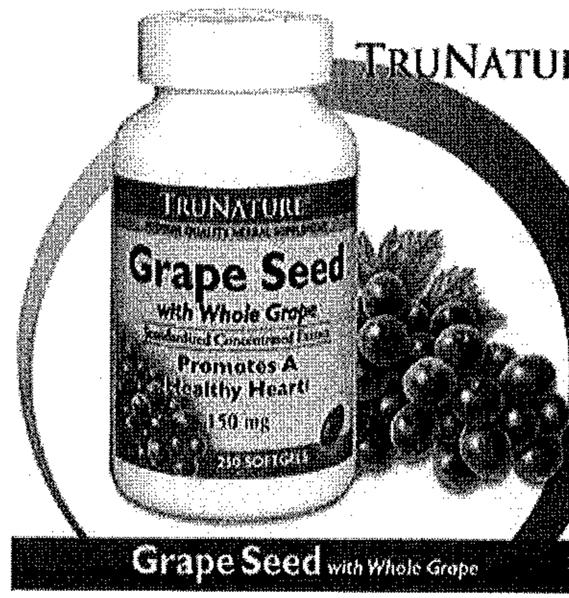

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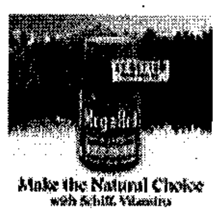

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top of page

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MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 08273, Four Seasons at Clear Creek

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☑ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed ____________

Title Authorized Representative

Date 5/23/08

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08273
Scoring Notice

MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2008 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Four Seasons at Clear Creek, Ltd.
Susan Sheeran
212 West Laurel
San Antonio, TX 78212
Phone #: (210) 281-0234
Fax #: (210) 281-0238
Email: susan@mercedhousingtexas.org

Date Issued: May 16, 2008

THIS NOTICE WILL ONLY BE TRANSMITTED VIA EMAIL

Second Email: dguerrero@nrpgroup.com

RE: 2008 Competitive Housing Tax Credit (HTC) Application for Four Seasons at Clear Creek, TDHCA Number: 08273

Attention: Susan Sheeran

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §50.9(d)(1) of the 2008 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the three categories for which points could not be requested by the applicant: §50.9(i)(2) Quantifiable Community Participation (QCP); §50.9(i)(6) Level of Community Support from State Representative or State Senator; §50.9(i)(18) Demonstration of Community Support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §50.9(i)(5), or (27) of the 2008 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §50.9(i)(5) and (27) of the 2008 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §50.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban   Set Asides: ☐ USDA ☐ Non Profit ☐ At Risk

Score Requested by Applicant (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	161
Score Requested as Calculated by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	161
Score Awarded by Department (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	161
Difference between Requested and Awarded (Does not include points for §§50.9(i)(2), (6) or (18) of the 2008 QAP):	0
Points Awarded for §50.9(i)(2), Quantifiable Community Participation:	12
Points Awarded for §50.9(i)(6), Input from State Senator or Representative:	14
Points Awarded for §50.9(i)(18), Community Support Other than QCP:	0
Final Score Awarded to Application by Department:	**187**

Page 2 of Final Scoring Notice: 08273, Four Seasons at Clear Creek

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§50.9(i)(2), (6) and (18)):

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m. (CST), Friday, May 23, 2008. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department's Board.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 26, 2008 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director, the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by no later than 5:00 p.m. (CST) Tuesday, June 19, 2008. All appeals should be submitted to the attention of Sharon Gamble. Although you have until June 19, 2008 to submit your appeal to the Board, the Department STRONGLY ENCOURAGES you to submit your appeal to the Board on or before 12:00 p.m. (CST) June 12, 2008.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us by Friday, May 23, 2008 at 5:00 p.m. (CST). A list of the Applications approved to be considered by the Department's Board will be available on the website no later than June 19, 2008. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Sharon Gamble by facsimile at (512) 475-0764 or by email at sharon.gamble@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance

Appeal Election Form: 08273, Four Seasons at Clear Creek

I am in receipt of my 2008 scoring notice and am filing a formal appeal to the Executive Director on or before Friday, May 23, 2008.

If my appeal is denied by the Executive Director,:

☐ I do wish to appeal to the Board of Directors and request that my application be added to the June 26, 2008 Department Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. (CST) Thursday, June 19, 2008 to be placed with the June 26, 2008 Board materials, although I am STRONGLY ENCOURAGED to submit any additional documentation for the Board to consider before 12:00 p.m. (CST) on Thursday, June 12, 2008. If no additional documentation is submitted, the appeal documention to the Executive Director will be utilized.

☐ I do not wish to appeal to the Board of Directors.

Note: **If you do not wish to appeal this notice, you do not need to submit this form.**

Signed ______________________________

Title ______________________________

Date ______________________________

Please fax or email to the attention of Sharon Gamble:
Fax: (512) 475-0764 or (512) 475-1895
Email: sharon.gamble@tdhca.state.tx.us

08147

Northside Apartments

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit (HTC) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal for the Northside Apartments.

Background and Recommendations

Northside Apartments - 08147

The Northside Apartments application was originally terminated for two reasons. First, the application, as presented, will violate the general use provision of the Internal Revenue Code. Second, the applicant did not submit the appropriate documentation to meet threshold. The Board stayed the termination of the application at the May 8, 2008 Board to allow the Department to meet with Internal Revenue Service counsels to resolve the issue of general public use. The IRS has determined the applicant will have to request a private letter ruling for this specific development. This action may take six to seven months.

Because the Board stayed the termination of the application in May, staff reviewed the full application for eligibility, selection and threshold. The application was also transferred to the Real Estate Analysis division for underwriting. The applicant has still not met the threshold requirements of the Qualified Allocation Plan and Rules for submission of financial commitments. Since the May 8, 2008 Board meeting and the review of the application, more issues have been identified by staff.

The application proposes the Rehabilitation of 289 units that are currently financed through the United States Department of Agriculture (USDA) with a loan in the amount of approximately $600,000 and two grants totaling approximately $5.4 million. According to USDA, these grants would have to be repaid if the transaction is transferred to a tax credit partnership, as the owner beneficiary would no longer be a non-profit entity. The applicant had made no provision for repayment of the grants, and, without the grants, the transaction is clearly infeasible as structured.

The applicant submitted a completely different financial structure and cost schedule (which was not requested by the Department) from what was submitted with the application on February 29, 2008. Overall construction costs increased $4,694,516 and overall sources of financing increase $5,590,986. The applicant has now indicated a loan for $5.4 million with a proposed interest rate of three percent (3%). The three percent rate is well below the Applicable Federal Rate (AFR) which will require the loan to be removed from eligible basis, therefore, reducing the amount of tax credits available to the development. The applicant also removed a $63,000 management fee from the operating expenses which enables the development to meet the 1.15 debt coverage ratio that is required by the Department rules and guidelines. The underwriter has also identified an additional $1.9 million grant that may have a repayment if USDA accepts this financing structure. Preliminary underwriting suggests that even if this grant does not need to be repaid and does not effect the current application, the development as presented and as revised to date is not financially feasible.

Furthermore, the development as planned violates the general public use requirement as set forth in Internal Revenue Service Notice 89-6. The current USDA funding requires that sixty-five percent of a tenant’s income must be derived from farm labor. Therefore, the development will not be able to serve the general public.

This application has not met the requirements of the program and allowing this application to remain active circumvents the readiness to proceed requirements and the competitive process of the program, and potentially harms the other applications that have provided the appropriate information for an award and are ready to move forward.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	TX Northside Housing, LP, a Texas limited partnership
Site Location:	1800 N. Texas
City/County:	Weslaco/Hidalgo
Regional Allocation Category:	Urban
Population Served:	General
Region:	11
Set Asides:	Non-Profit; USDA, At-Risk
Type of Development:	Acquisition/Rehabilitation
Units:	289
Credits Requested:	$1,200,000

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

03-28-08A10:34 RCVD

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2008 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 May 8, 2008 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. Monday, April 28, 2008 to be placed in the May 8, 2008 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:	Northside Apartments
Development Address:	1800 N. Texas Blvd., Weslaco, Texas
Signer's Name	Mike Lopez
Signer's Title:	Executive Director
Date:	3/27/08

Signed: [signature]

April 28, 2008

Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 E. 11th St.
Austin, Texas 78701

RE: Request for Appeal, TDHCA #08147
Northside Apartments, Weslaco, Texas

Dear Mr. Gerber:

This letter will serve to respectfully request TX Northside Housing, LP, application known as Northside Apartments, be considered for reinstatement in the 2008 Competitive Housing Tax Credit cycle.

When we were terminated, USDA Texas had forwarded a letter to the Texas Department of Housing and Community Affairs ("TDHCA") stating that the limited partnership was ineligible to receive the grant funding, and other fair housing issues. They also stated in their letter this was not able to be appealed.

Since then, we have hired Nixon Peabody Attorneys at Law to review the USDA programs and have acquired the assistance of Congressman Hinojosa. In the teleconference on April 24, new evidence was brought to the attention of USDA Texas that would make them reconsider the application. In light of the conversation, the Office of the Under Secretary of USDA has written the Congressman that the application is under review. We have attached the letter from USDA to Congressman Hinojosa.

We strongly feel we have met all of the requirements of THDCA's Qualified Allocation Plan for USDA projects. The fact USDA is now considering our financing, which is new to the USDA Texas' office but not to offices throughout the nation, makes us believe this issue can be resolved.

In our opinion, there are several ways we can come to a solution regarding the Northside Apartments' TDHCA application: 1) take the application out of the USDA set-aside and place it in the Region 11 general category which seems to be underserved, or 2) review it for a forward commitment.

As stated in the letter from USDA, all considerations are being looked at so the citizens in the Lower Rio Grande have access to simple amenities that other Texans take for granted, i.e. air conditioning.

I understand that I am preaching to the choir however, when you consider Northside Apartments is a 289-unit apartment community, you are talking about changing the lives of approximately 1,000 folks in Weslaco, Texas.

We appreciate your consideration to reinstate this application. If you have any questions, please call me at (210) 228-0560

Sincerely,

David Marquez

USDA Rural Development

United States Department of Agriculture
Rural Development
Office of the Under Secretary

The Honorable Ruben Hinojosa
U.S. House of Representatives
2463 Rayburn House Office Building
Washington, D.C. 20515

APR 25 2008

Dear Congressman Hinojosa:

This is in response to your recent letter regarding Northside Apartments in Weslaco, Texas and your request to participate in a teleconference with your staff. We were glad to facilitate a call on Thursday, April 24, 2008, between your staff and constituents along with staff from USDA Rural Development to further discuss issues related to the proposed financing of this project.

As a result of the teleconference information was shared with all parties involved in the project. Now that all parties have access to the additional information the Texas State Rural Development Office, which manages this project, will review the additional information provided. After reviewing the additional information Rural Development will make a final decision on the use of funds for this particular project. Please know that our last letter dated March 6, 2008 to Mr. Mike Lopez, Executive Director of the Hidalgo County Housing Authority, notified him that our current regulations prohibit limited partnerships from receiving grant funds from Rural Development.

A final determination will be made as soon as possible regarding the evaluation of this additional information. Please know that every appropriate consideration will be provided regarding this matter.

Sincerely,

RUSSELL T. DAVIS
Administrator
Housing and Community Facilities Programs

08147

Northside Apartments

Executive Director Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
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Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
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C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

April 9, 2008

Mr. David Marquez
TX Northside Housing, LP
222 E. Houston Street, Ste 620
San Antonio, Texas 78205
Telephone: (210) 228-0560
Facsimile: (210) 228-0566

Re: Appeal Received for Northside Apartments, TDHCA #08147

Dear Mr. Marquez:

Appeal Review

I have carefully reviewed the application you submitted, as well as your appeal that was received on March 27, 2008, regarding your request that your application be reconsidered for participation in the 2008 Competitive Housing Tax Credit cycle under §50.9(h) of the 2008 Qualified Allocation Plan and Rules ("QAP"), Threshold Criteria.

In your appeal, you stated that you are appealing the decision of the USDA's Texas office to deny your application for USDA funding. Your appeal included no further information regarding your application for the 2008 Competitive Housing Tax Credit cycle.

Appeal Determination

Your appeal is denied.

Pursuant to §50.17(b)(4) of the 2008 QAP, you may request your appeal be considered by the Board at the May 8, 2008 Board meeting by signing and returning the enclosed appeal form by April 16, 2008. In order to ensure that all the appeal documentation is presented in the Board materials, it is requested that you submit your appeal by April 28, 2008. You must submit your full appeal to the Department no later than 5:00 p.m. CST on May 1, 2008.

Sincerely,

Michael Gerber
Executive Director

Northside Apartments
TDHCA #08147

Specific Grounds for appeal:

Although the State USDA Office denied our application, we have USDA National reviewing our documentation. We have hired the Nixon Peabody Attorneys to appeal to USDA National.

08147

Northside Apartments

Staff Termination

Texas Department of Housing and Community Affairs

www.tdhca.state.tx.us

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March 26, 2008

Mr. David Marquez
TX Northside Housing, LP
222 E. Houston Street, Ste 620
San Antonio, Texas 78205
Telephone: (210) 228-0560
Facsimile: (210) 228-0566

Re: Northside Apartments, TDHCA #08147

Dear Mr. Marquez:

On February 29, 2008 you submitted a Housing Tax Credit application for the above-referenced development to the Texas Department of Housing and Community Affairs (the "Department"). It has been determined that this application has not met the minimum threshold requirements under §50.9(h)(7)(C), of the 2008 Qualified Allocation Plan ("QAP"), for the reasons stated below.

Pursuant to the 2008 QAP, §50.9(h), "the following Threshold Criteria listed in this subsection are mandatory requirements that must be submitted at the time of Application submission unless specifically indicated otherwise." This includes, as indicated in Part (7)(C) of this subsection "evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application... Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) - (iv) of this subparagraph:

(i) Bona fide financing in place as evidenced by:

(I) A valid and binding loan agreement;

(II) Deed(s) of trust in the name of the Development Owner expressly allowing transfer to the Development Owner; and

(III) For TRDO-USDA 515 Developments involving , an executed TRDO-USDA letter indicating TRDO-USDA has received a Consent Request, also referred to as a Preliminary Submittal, as described in 7 CFR 3560.406 and a copy of the original loan documents; or,

(ii) Bona fide commitment or term sheet for the interim and permanent loans issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money...; or,

(iii) Any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of Application...; or

(iv) If the Development will be financed through more than 5% of Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Development Owner to provide the proposed financing with funds that are not otherwise committed together with a letter from the Development Owner's bank or banks confirming that sufficient funds are available to the Development

Owner. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period".

As one of your sources of permanent financing, you included a USDA Rural Development Loan in the amount of $1,399,926. You also included "USDA Additional Underwriting" information which contained "an alternative financing scenario" whereby the Housing Authority of the County of Hidalgo would receive the grant and convert the grant into a loan to Texas Northside Housing, LP (the Applicant). As the letter you included from the Texas State Office of USDA states, USDA has determined that "approval [for a Transfer of Title] may be requested from the awarding agency to transfer title to an eligible third party for continued use for authorized purposes. Texas Northside Housing, LP is not an eligible third party and the application for transfer and assumption of Northside Apartments is rejected due to ineligibility of the applicant, Texas Northside Housing, LP. Rejection of an application due to ineligibility in not an appealable action."

Further, we have received verification from the Texas State Office of USDA that the "alternative financing scenario" you have presented is not feasible because the Housing Authority of the County of Hidalgo currently has two grant agreements in place worth an estimated $1,500,000. The housing authority would be unable to receive more grant funds unless the housing authority repaid those agreements in full.

In addition to not meeting the minimum threshold requirements, the development violates the General Public Use Requirement as set forth in Internal Revenue Service Notice 89-6. As stated in Section 7 of the USDA Letter of Approval/Conditions you submitted behind Tab 5 of your "USDA Additional Underwriting" submission, "to be eligible for occupancy in this project, residents must be farm laborers as defined in RD Instruction HB-2-3560, Chapter 6, §6.3…" §42 of the Internal Revenue Code provides that "Residential rental units must be for use by the general public... Regulations will provide that the term "for use by the general public" shall be determined in a manner consistent with HUD housing policy governing non- discrimination as evidenced by HUD rules and regulations… Accordingly, owners of residential rental units that give preferences to certain classes of tenants (e.g., the homeless, disabled and/or handicapped) will not violate the general public use requirement if such preferences would not violate any HUD policy governing nondiscrimination expressed in the HUD handbook. However, if residential rental units are restricted to a class of residents that would violate HUD housing policy, then the building in which these units are located will be ineligible for the [housing tax] credit."

For these reasons, the application is terminated.

If you would like to appeal the Department's determination that the Application has not met the minimum threshold requirements, an Appeals Policy does exist for the Housing Tax Credit Program. The restrictions and requirements relating to the filing of an appeal can be found in §50.17(b) of the 2008 QAP. If you choose to appeal this determination, you must first submit an appeal to the Executive Director no later than 5:00 pm on **March 27, 2008.** In the event an appeal is denied by the Executive Director, you may appeal directly in writing to the Board, provided that an appeal filed with the Board is received by **May 1, 2008, although it is strongly encouraged that you submit the appeal no later than 5:00 pm on April 24, 2008.**

If you have any questions, please do not hesitate to contact Robbye Meyer at 512.475.2213 or robbye.meyer@tdhca.state.tx.us .

Sincerely,

Robbye Meyer
Director of Multifamily Finance

SUMMARY

TX Northside Housing, LP is submitting an alternative financing scenario that was submitted to USDA on November 19, 2007. ***See Tab 3.*** After receiving a positive response from USDA on January 24, 2008, we continued to process our application 3560 to USDA for the January 31 submission. ***See Tab 3.***

In our underwriting ***See Tab 2***, we made the assumption as in the January 24 letter, to convey the grant into a loan. ***See Tab 4.*** The Housing Authority of the County of Hidalgo would transfer their grant to a loan to the Limited Partnership which the Housing Authority is the 100% owner of the General Partnership.

In the USDA Farm Labor 514 & 516 Programs, "a non-profit limited partnership in which the general partner is a non-profit entity" does qualify. ***See Tab 1.***

Along with the confusion was the fact that the Texas Department of Housing and Community Affairs (TDHCA) did not place the Northside Apartments in the USDA Set-Aside. When we met with Janet Darling at the USDA office in Temple, she commented that we would have to have authorization from Washington, D.C. to transfer the grant, and if it was approved, it could possibly remove 4 or 5 projects from the TDHCA USDA list.

At this time, we would respectfully request that you allow us to proceed so we can gather the necessary approvals from Washington, D.C. to move this project forward.

INDEX

USDA Rural Development

Committed to the future of rural communities.

Housing Programs
Farm Labor Housing
514 & 516 Program

Program Objective

The Farm Labor Housing program provides loans and grants to finance construction of on and off-site housing for farm laborers and their families.

The objective of the program is to provide safe, sanitary, and affordable housing for U.S. farm workers.

Loans are subsidized to borrowers at a one percent interest rate. The program also has tenant subsidies available to reduce the amount of rent a tenant must pay.

Occupancy of the Farm Labor Housing is restricted to farmworker households that must be U.S. citizens or aliens legally admitted for permanent residence.

Eligibility Requirements

Eligible applicants include farmers, public or private nonprofit organizations, and units of State and local governments to build, buy, or repair farm labor housing in either dormitory or multi-family apartment style.

To be eligible for assistance through the Farm Labor Housing program, the applicant must be one of the following entities:

- Be a farmowner
- Family farm partnership
- Family farm corporation
- Association of farmers whose farming operations demonstrate a need for farm labor housing, or an organization which will own the housing and operate it on a nonprofit basis
- Nonprofit limited partnership in which the general partner is a nonprofit entity.

Funding Levels

Funds will be awarded and distributed to states based on a National competition for funds.

The 2005 allocation for both Section 514 loans and 516 grants is expected to increase.

The State Office will accept, review, score and rank applications in accordance with 7 CFR Part 3560, Subpart B, and the NOFA published in the Federal Register.

Ranked applications will then be forwarded to the National Office to compete Nationwide. Funds will be distributed to individual states based on the ranking order.

Individual requests may not exceed a total of $2 million in loans and $500,000 in grants.

Loan Limits

The following limits apply for loan funds:

- If receiving benefits from tax credits, the amount will be limited to no more than 95% of the total development cost or 95% of the collateral value, whichever is less.
- For applicants without tax credits, nonprofit entities, or State or local public agencies, the amount of the Housing Programs loan will be limited to no more than 97% of the development cost or the collateral value, whichever is less.

Grant Limits

The following limits apply for grant funds:

- Maximum amount of the grant may not exceed the lesser of 90% of the total development cost; or
- That portion of the total cash development cost which exceeds the sum of any amount the applicant can provide from its own resources plus the amount of a loan which the applicant will be able to repay, with interest, from income from rentals which low-income farmworker families can be reasonably expected to pay.

To learn more about how Rural Development can help, contact us at:

State Office
Deborah Chorlton, Housing Programs Director
406-585-2515

Area Offices
Billings Area Office 406-657-6297 ext 4
Bozeman Area Office 406-585-2530
Great Falls Area Office 406-727-7580 ext 4
Helena Area Office 406-449-5000 ext 4
Kalispell Area Office 406-756-2005
Missoula Area Office 406-829-3395 ext 4

www.rurdev.usda.gov/mt/

The USDA is an Equal Opportunity Provider and Employer.
Complaints of discrimination should be sent to:
USDA, Director, Office of Civil Rights 1400 Independence Ave. SW
Washington, DC 20250-9410

800-795-3272 (voice) 202-720-6382 (TDD)

Northside Apartments

General Information

2/18/2008

File Name

Project Name	**Northside Apartments**
Partnership Name	Texas Northside Housing LP
Developer	
Contact	
Phone	
Fax	
Business Location	
Site Location	Weslaco
MSA/County	Hidalgo
Target Population	Famiy
Type of construction (NC/R)	R
Total Square Footage	246,324
Number of Units	289
Number of Buildings	30
Commercial Area	N

Timing Information	
Last Building Placed in Service	2/1/2010
Last Unit Occupied	5/1/2010
Project Start - Year	2009
Projected Closing	3/1/2009
Construction Start	5/1/2009
Construction Completion	5/1/2010
# of Construction Months	12

Return to Owner	
Factor (5%, 3%, or 0%)	0.00%
Computed Stated Equity	0
Stated Equity Override	25,000
% of Stated Equity	8.00%
Return to Owner	2,000

Equity Information		
Investor Ownership		9999.00%
Total Investor Equity per Dollar of Low-Income Investor Credit	$	0.0085
Present Value Calculation		
Discount Rate		5.00%
Discounted Investor Equity	$	9,878,918
Total Discounted Investor Equity per Dollar of Low-Income Investor Credit	$	0.0082

Equity Pay-In Schedule

Date	Amount
1-Mar-09	$2,547,450
1-Jul-09	2,547,450
1-Feb-10	2,547,450
1-Jun-10	2,037,960
1-Oct-10	509,490
1-Oct-10	0
1-Oct-10	0
1-Oct-10	0
1-Oct-10	0
Total	10,189,800

Northside Apartments
Development Costs

2/18/2008

Development Costs							
Line	Trade Item	Per Unit	Per SF	Total	Depreciable	Non-Amortize	Amortize
1	Concrete	623	0.73	$ 180,000	180,000		
2	Light Weight Concrete			$ -	0		
3	Masonry	2,699	3.17	$ 780,000	780,000		
4	Metals	173	0.20	$ 50,000	50,000		
5	Rough Carpentry	2,422	2.84	$ 700,000	700,000		
6	Finish Carpentry	1,384	1.62	$ 400,000	400,000		
7	Waterproofing	0	0.00	$ -	0		
8	Insulation	886	1.04	256,000	256,000		
9	Roofing	1,730	2.03	500,000	500,000		
10	Sheet Metal	208	0.24	60,000	60,000		
11	Doors	727	0.85	210,000	210,000		
12	Windows	692	0.81	200,000	200,000		
13	Glass	0	0.00	0	0		
14	Drywall	1,246	1.46	360,000	360,000		
15	Tile Work	1,000	1.17	289,000	289,000		
16	Acoustical	0	0.00	0	0		
17	Resilient Flooring	1,125	1.32	325,000	325,000		
18	Painting and Decorating	2,076	2.44	600,000	600,000		
19	Specialities	346	0.41	100,000	100,000		
20	Special Equipment	0	0.00	0	0		
21	Cabinets	2,249	2.64	650,000	650,000		
22	Appliances	1,142	1.34	330,000	330,000		
23	Blinds and Shades, Artwork	201	0.24	58,000	58,000		
24	Carpets	1,007	1.18	291,000	291,000		
25	Special Construction	433	0.51	125,000	125,000		
26	Elevators	0	0.00	0	0		
27	Plumbing and Hot Water	1,557	1.83	450,000	450,000		
28	Heat and Ventilation	0	0.00	0	0		
29	Air Conditioning	3,114	3.65	900,000	900,000		
30	Electrical	2,090	2.45	604,000	604,000		
31	Earth Work	208	0.24	60,000	60,000		
32	On-Site Utilities	0	0.00	0	0		
33	Roads and Walks	692	0.81	200,000	200,000		
34	On-Site Improvements	1,367	1.60	395,000	395,000		
35	Lawns and Planting	346	0.41	100,000	100,000		
36	Unusual On-Site Conditions	0	0.00	0	0		
37	Off-Site Development	0	0.00	0		0	
38	Miscellaneous (Labor & Materials)	260	0.30	75,000	75,000		
39	*Total Hard Costs*	32,000	37.54	9,248,000	9,248,000	0	0
40	General Requirements *	1,920	2.25	554,880	554,880		
41	General Overhead *	640	0.75	184,960	184,960		
42	Other Fees Paid By Contractor	0	0.00	0	0		
43	Construction Contingency	3,200	3.75	924,800	924,800	0	0
44	Builder's Profit *	1,920	2.25	554,880	554,880		
45	*Total Construction Costs*	39,680	46.55	11,467,520	11,467,520	0	0

Northside Apartments
Development Costs

Page 2 ***(continued)*** **2/18/2008**

Development Costs (continued)								
Line	Trade Item	Per Unit	Per SF	Total	Depreciable	Non-Amortize	Amortize
45	Total Construction Costs	39,680	46.55	$ 11,467,520	11,467,520	0	0
46	Architectural Fees	1,587	1.86	458,701	458,701		
47	Survey and Engineering	52	0.06	15,000	15,000		
48	Financing Costs Loan Fees	228	0.27	66,000	66,000	0	0
49	Interest During Construction	692	0.81	200,000	200,000	0	0
50	Closing Costs & Legal Fees	0	0.00	0	0	0	0
51	Land Cost or Value	1,730	2.03	500,000		500,000	
52	Building Acqusition	6,574	7.71	1,899,926	1,899,926		
53	Nonprofit O&M Capital	2,292	2.69	662,500	662,500		
54	Tap and/or Impact Fees	42	0.05	12,000	12,000		
55	Tax Credit Fees	238	0.28	68,670	68,670		0
56	Environmental Fees	28	0.03	8,000	8,000		
57	Market Study Cost	0	0.00	0	0		
58	Accounting Costs	52	0.06	15,000	15,000	0	0
59	Appraisal	28	0.03	8,000	8,000	0	0
60	*Total Development Cost*	53,223	62.44	15,381,317	14,881,317	500,000	0

Northside Apartments

Other Eligible/Non-Qualified Costs

2/18/2008

Other Basis Eligible Items		
Other Rehabilitation Credit Basis Items		
Developer Fee *(maximum)* *	2,185,897	
Other Rehab Credit Items	0	
Total Rehab Credit Basis Items		2,185,897
Other Acquisition Credit Basis Items		
Building Acquisition Basis Items	1,899,926	
	0	
Total Acquisition Credit Basis Items		1,899,926
Total Other Basis Eligible Items		4,085,823

Other Ineligible Costs	
Reserves	14,485
Syndication	0
Permanent Loan Costs	105,000
Organizational Costs	6,000
Miscellaneous Costs	0
Tax Opinion	10,000
	0
Total	135,485

Non-Qualified Costs (Included Above or TDC: lines 1-58)				
Non-Qualified LIHTC Costs (Commercial Rehab)			0	
Non-Qualified LIHTC Costs (Commercial Acquisition)			0	
Non-Qualified Historic Costs (lines 21, 30-36)		1,085,000		
Other Non-Qualified Historic Costs		0		
Total Non-Qualified Historic Costs			1,085,000	
Excess Fees				
Developer Fee			2,185,897	
Allowable % on Total Dev'mt Costs (line 58)	15.00%			
Allowable % on Total Acquisition Costs	15.00%			
Total Calculated Developer Fee		2,307,198		
Maximum State Developer Fee Allowed		2,185,897		
Minimum of Calculated Fee or State Maximum			2,185,897	
Excess Developer Fees				0
General Req'mts, General O/H & Builder's Profit (lines 39, 40 & 43)			1,294,720	
Allowable % on Total Hard Costs (line 38)	14.00%			
Total Calculated Fees		1,294,720		
Maximum State Fees Allowed		1,294,720		
Minimum of Calculated Fees or State Maximum			1,294,720	
Excess Contractor's Fees				0
Total Excess Fees				0

Northside Apartments
Tax Credit Calculation

 2/18/2008

Tax Credit Calculation

Items of Eligible Basis	Rehab Credit	Acquisition Credit	Historic Credit
Total Development Cost (line 58)	12,981,391		0
Other Basis Eligible Items	2,185,897	1,899,926	0
Less: Historic Credit	0		
Depreciable Basis before Adjustment	15,167,288	1,899,926	0
Less: Non-Qualified Costs-Commercial	0	0	
Less: Non-Qualified Historic Costs			0
Less: Excess Contractor's Fees	0		0
Less: Disqualified Grants	0		0
Adjusted Depreciable Basis	15,167,288	1,899,926	0
Bonus (DDA/QCT)	100.00%		
Eligible Basis	15,167,288		
Applicable Fraction	100.00%	100.00%	
Qualified Basis	15,167,288	1,899,926	0
Tax Credit Percentage	8.20%	3.50%	20.00%
Tax Credits Calculated	1,243,718	66,497	0
Tax Credits Reserved or Allocated	1,198,800	0	
Total Annual Tax Credits	1,198,800	0	0

Tax Credit Information

Historic Credits Available	Y/N?	N
Eligible for DDA/QCT Bonus	Y/N?	N

Northside Apartments
Project Rental Income

 2/18/2008

Rental Income									
Unit Type	Number of Units	Unit Description	# Low Income	Rental Income Basic	Note Rate	HUD	Rent Potential Basic	Note Rate	HUD
F	38	1-br	38	275.00			125,400		
F	156	2-br	156	325.00			608,400		
F	79	3-br	79	399.00			378,252		
F	16	4-br	16	440.00			84,480		
F	0		0						
F	0		0						
F	0		0						
F	0		0						
F	0		0						
F	0		0						
F	0		0						
F	0		0						
Total	289		289				1,196,532	0	0
Percentage Low Income			100.00%						

Rental Information	
Base Rental Income	1,196,532
2nd Year Increase	3.00%
3rd Year Increase	3.00%
Increase Thereafter	3.00%

Vacancy Information	
1st Year Vacancy	20.00%
2nd Year Vacancy	10.00%
3rd Year Vacancy	7.50%
Thereafter	7.50%

Other Income	
Laundry/Vending	0
Interest Income	20
Tenant Charges	35,000
Other	17,000
Total	52,020

Other Income Information	
Base Other Income	52,020
1st Year Other Income	52,020
2nd Year Other Income	52,020
3rd Year Other Income	52,020
Increase Thereafter	3.00%

Northside Apartments
Project Operating Expenses

2/18/2008

Line	Operating Expenses		/ Unit
1	Maintenance & Repairs Payroll	$ 125,000	432.53
2	Maintenance & Repairs Supply	41,000	141.87
3	Maintenance & Repairs Contract	13,000	44.98
4	Painting & Decorating	12,500	43.25
5	Snow Removal	8,000	27.68
6	Elevator Maintenance/Contract	0	0.00
7	Grounds	1,800	6.23
8	Services	0	0.00
9	Furniture & Furnishings	0	0.00
10	Other Operating Expenses	0	0.00
11	***Sub-total Maint. & Operating***	***201,300***	***696.54***
12	Electricity	31,000	107.27
13	Water	47,000	162.63
14	Sewer	39,000	134.95
15	Fuel (Oil/Coal/Gas)	0	0.00
16	Garbage & Trash Removal	44,000	152.25
17	Other Utilities	0	0.00
18	***Sub-total Utilities***	***161,000***	***557.09***
19	Site Management Payroll	110,000	380.62
20	Management Fee	0	0.00
21	Project Auditing Expense	15,000	51.90
22	Project Bookkeeping/Accounting	0	0.00
23	Legal Expenses	18,000	62.28
24	Advertising	1,500	5.19
25	Telephone/Answering Service	12,000	41.52
26	Office Supplies	15,500	53.63
27	Office Furniture & Equipment	0	0.00
28	Training Expense	10,000	34.60
29	Health Ins. & Other Emp. Benefits	28,000	96.89
30	Payroll Taxes	20,000	69.20
31	Workman's Compensation	7,500	25.95
32	Other Administrative Expenses	11,560	40.00
33	***Sub-total Administrative***	***249,060***	***861.80***
34	Real Estate Taxes	0	0.00
35	Special Assessments	0	0.00
36	Other Taxes, Licenses & Permits	0	0.00
37	Property & Liability Insurance	50,000	173.01
38	Fidelity Coverage Insurance	0	0.00
39	Other Insurances	0	0.00
40	***Sub-total Taxes & Insurance***	***50,000***	***173.01***
41	**Total Operating Expenses**	**661,360**	**2,288.44**

Expense Information	
Utilization	
1st Year	100.00%
2nd Year	100.00%
3rd Year	100.00%
Inflation	
2nd Year Increase	4.00%
3rd Year Increase	4.00%
Increase Thereafter	4.00%

Replacement Reserves	
Base Reserves	86,700
$ 300.00 /unit	
2nd Year Increase	4.00%
3rd Year Increase	4.00%
Increase Thereafter	4.00%

Debt Service Coverage Ratio	
Base Rental Income	1,196,532
Vacancy	(89,740)
Base Other Income	52,020
Expenses	(661,360)
Replacement Reserves	(86,700)
Net Cash Flow	410,752
Debt Service Coverage	1.10
Annual Debt Service	373,411
Maximum 1st Mortgage	5,171,710

Northside Apartments
Sources of Debt

 2/18/2008

Permanent Financing Details

First Mortgage	1,399,926	*Fourth Mortgage*	0
Effective Interest Rate	7.00%	Interest Rate	0.00%
		MIP	0.00%
Term (Months)	600	Term (Months)	0
Start in 1st Year?	Y	Start in 1st Year?	
Start Date	1-Apr-09	Start Date	0-Jan-00
Hard/Soft?	H	Hard/Soft?	
Amortization/Interest Only?	A	Amortization/Interest Only?	
Guarantee/Insured?		Guarantee/Insured?	
Lender		Lender	
Status		Status	
Second Mortgage	5,412,973	*Fifth Mortgage*	0
Interest Rate	3.00%	Interest Rate	0.00%
MIP	0.00%	MIP	0.00%
Term (Months)	420	Term (Months)	0
Start in 1st Year?	N	Start in 1st Year?	
Start Date	1-Jan-11	Start Date	0-Jan-00
Hard/Soft?	H	Hard/Soft?	
Amortization/Interest Only?	A	Amortization/Interest Only?	
Guarantee/Insured?		Guarantee/Insured?	
Lender		Lender	
Status		Status	
Third Mortgage	0	*Sixth Mortgage*	0
Interest Rate	0.00%	Interest Rate	0.00%
MIP	0.00%	MIP	0.00%
Term (Months)	0	Term (Months)	0
Start in 1st Year?		Start in 1st Year?	
Start Date	0-Jan-00	Start Date	0-Jan-00
Hard/Soft?		Hard/Soft?	
Amortization/Interest Only?		Amortization/Interest Only?	
Guarantee/Insured?		Guarantee/Insured?	
Lender		Lender	
Status		Status	

Northside Apartments
Sources and Uses

2/18/2008

Sources			Required Monthly Payment		
First Mortgage *(minimum)*	1,399,926	$	8,423.19		
Second Mortgage - Cash Flow	5,412,973	$	20,831.84		
Third Mortgage	0	$	-		
Fourth Mortgage	0	$	-		
Fifth Mortgage	0	$	-		
Sixth Mortgage	0	$	-		
General Partner Equity	0				
Grant	0			Is it a federal grant?	N
Grant	0			Is it a federal grant?	N
Limited Partner Equity	10,189,800				
Deferred Developer Fee	700,000				
Total Sources	17,702,699				
Total Development Costs (line 58)	13,481,391				
Less Excess Contractor's Fees	0				
Developer Fee	2,185,897				
Other Rehab Credit Eligible Items	0				
Other Acquisition Credit Eligible Items	1,899,926				
Other Ineligible Costs	135,485				
Adjusted Total Development Costs	17,702,699				
Excess/(Shortage)	**0**				

Northside Apartments
"Hard" Debt Service

2/18/2008

Year	First Mortgage	Second Mortgage	Third Mortgage	Fourth Mortgage	Fifth Mortgage	Sixth Mortgage	Total Debt Service
1st Year	75,809	0	0	0	0	0	75,809
2nd Year	101,078	249,982	0	0	0	0	351,060
3rd Year	101,078	249,982	0	0	0	0	351,060
4th Year	101,078	249,982	0	0	0	0	351,060
5th Year	101,078	249,982	0	0	0	0	351,060
6th Year	101,078	249,982	0	0	0	0	351,060
7th Year	101,078	249,982	0	0	0	0	351,060
8th Year	101,078	249,982	0	0	0	0	351,060
9th Year	101,078	249,982	0	0	0	0	351,060
10th Year	101,078	249,982	0	0	0	0	351,060
11th Year	101,078	249,982	0	0	0	0	351,060
12th Year	101,078	249,982	0	0	0	0	351,060
13th Year	101,078	249,982	0	0	0	0	351,060
14th Year	101,078	249,982	0	0	0	0	351,060
15th Year	101,078	249,982	0	0	0	0	351,060
Total	1,490,901	3,499,748	0	0	0	0	4,990,649

Northside Apartments
Cash Flow

2/18/2008

Year	Rental Income	Vacancy	Other Income	Operating Expenses	Net Operating Income	Replacement Reserves	Cash Flow	Debt Service	Cash Flow	Return to Owner	Cash Flow
1st Year	1,196,532	(239,306)	52,020	661,360	347,886	65,025	282,861	75,809	207,052	2,000	205,052
2nd Year	1,232,428	(123,243)	52,020	687,814	473,391	90,168	383,223	351,060	32,163	2,000	30,163
3rd Year	1,269,401	(95,205)	52,020	715,327	510,889	93,775	417,114	351,060	66,054	2,000	64,054
4th Year	1,307,483	(98,061)	53,581	743,940	519,063	97,526	421,537	351,060	70,477	2,000	68,477
5th Year	1,346,707	(101,003)	55,188	773,698	527,194	101,427	425,767	351,060	74,707	2,000	72,707
6th Year	1,387,108	(104,033)	56,844	804,646	535,273	105,484	429,789	351,060	78,729	2,000	76,729
7th Year	1,428,721	(107,154)	58,549	836,832	543,284	109,703	433,581	351,060	82,521	2,000	80,521
8th Year	1,471,583	(110,369)	60,305	870,305	551,214	114,091	437,123	351,060	86,063	2,000	84,063
9th Year	1,515,730	(113,680)	62,114	905,117	559,047	118,655	440,392	351,060	89,332	2,000	87,332
10th Year	1,561,202	(117,090)	63,977	941,322	566,767	123,401	443,366	351,060	92,306	2,000	90,306
11th Year	1,608,038	(120,603)	65,896	978,975	574,356	128,337	446,019	351,060	94,959	2,000	92,959
12th Year	1,656,279	(124,221)	67,873	1,018,134	581,797	133,470	448,327	351,060	97,267	2,000	95,267
13th Year	1,705,967	(127,948)	69,909	1,058,859	589,069	138,809	450,260	351,060	99,200	2,000	97,200
14th Year	1,757,146	(131,786)	72,006	1,101,213	596,153	144,361	451,792	351,060	100,732	2,000	98,732
15th Year	1,809,860	(135,740)	74,166	1,145,262	603,024	150,135	452,889	351,060	101,829	2,000	99,829
Total	22,254,185	(1,849,442)	916,468	13,242,804	8,078,407	1,714,367	6,364,040	4,990,649	1,373,391	30,000	1,343,391

November 16, 2007

Jake Sheeran, Area Director
U.S.D.A. Rural Development
2287 N. Texas Blvd., Suite 1
Alice, Texas 78332

Re: Northside Apartments, 1800 N. Texas Street, Weslaco, TX 78596

Dear Mr. Sheeran,

We respectfully submit to you our plans to leverage the USDA 514 loan in the amount of $601,441 and USDA 516 grant in the amount of $5,412,973 to secure State Housing Tax Credits in the amount of $9,092,456 in a strategic effort to not only enhance, but also preserve affordable housing for the residents of Hidalgo County.

According to the Texas Rural Development officials and further supported by studies conducted by the Housing Assistance Council, farm worker families would rather have control over their housing, and prefer flexibility of living within the community and traveling back and forth to work. Furthermore, this trend has caused migrant families to be less migratory. They are settling down and establishing roots within their communities as the nature of the industry has evolved. Their children are reaching higher at goals not before attained by their parents. This supports the need for improved affordable housing that nurtures the bonds of the family and supports them with a network of social services *(e.g. computer lab, library, tutors)* that allows them to increase their family assets and improve their standard of living.

Northside Apartments

Northside Apartments is comprised of 289 units that were constructed in two phases almost 30 years ago. These 1-4 bedroom apartment homes require substantial rehabilitation that would more efficiently benefit from gutting the units down to the studs and starting all over again. Residents have had to deal with inadequate plumbing, heating & cooling, and electrical issues, not to mention the deteriorating structural problems.

Property Conditions Assessment
In 2004, a property conditions assessment was conducted by Mata-Villarreal-Garcia. In that study, they concluded that significant reparations were recommended in areas of mechanical, electrical, and plumbing (MEP) as well as structural and cosmetic.

Heating and Cooling issues were found to be sub-standard and need to be brought to code. Living areas were found to have unacceptable volume to sufficiently and safely provide adequate combustion air. And while living rooms are not generally designated as sleeping quarters, numerous units were found to have beds located in the living areas.

The assessment further determined the need to completely upgrade the electrical system. Circuit breakers far outweigh their capacity which necessitates the replacement of existing electrical.

Plumbing fixtures were found to be deteriorating and in need of replacement – not repair. Rust and mold from leaks have further damaged ceilings, walls, and flooring. Roofing, energy efficient replacements from window stripping to energy efficient appliances to 14 SEER HVAC units are just part of what the property needs to adequately and humanely service its residents.

We firmly believe that the scope of work outlined was limited in terms of what the housing authority's budget could sustain. However, with the leveraging of federal, state, and private dollars, we can increase the value of the property further increasing the quality of life for qualified residents.

Sources and Uses
Our goal is to bring Northside Apartments to be the crowning jewel of the Hidalgo County Housing Authority. We can accomplish that by harnessing the funds committed by USDA with housing tax credits. Below is a breakdown of our intended Sources and Uses:

Sources of Funds		**Uses**	
USDA Loan	$1,399,926	Acquisition & Rehab	$13,150,726
USDA 514 Loan	$601,441	Soft Costs	$3,356,070
USDA 516 Grant	$5,412,973		
Low Income HTC	$9,092,456		
Total Sources	**$16,506,796**	**Total Development Cost**	**$16,506,796**

A partnership that includes other community collaborators speaks volumes not only to investors, but to the community we seek to serve. We have an incredible opportunity to display public dollars used in a diligent and meaningful way to provide safe, decent, and affordable living conditions for some of our state's most dedicated and hardworking families. Your partnership is needed and it is greatly appreciated.

Respectfully submitted,

Mike Lopez
Executive Director

USDA Rural Development

United States Department of Agriculture
Rural Development

Edinburg Local Office

January 24 2008

Mr. Mike Lopez, Executive Director
The Housing Authority of the County of Hidalgo
Northside Apartments
1800 N. Texas
Weslaco, TX 78596

Dear Mr. Lopez:

Your letter dated November 16, 2007 addressed to Jake Sheeran has been reviewed and we offer the following comments:

1. It appears this will be a transfer at same rates and terms in order to obtain Tax Credits, as the use of funds shows acquisition and rehab.
2. How is the Housing Authority applying to TDHCA for the Tax Credits (a non profit or a limited profit)?
3. We are assuming The Housing Authority of the County of Hidalgo is applying for Tax Credits as a Housing Authority under the Non Profit Set Aside so that they will be assigning all funding, including USDA Rural Development funds to a Limited Partnership.
4. If items 1 and 3 are correct, The Housing Authority of the County of Hidalgo needs to submit a transfer application to the State Office following the guidelines in HB-3-3560, Chapter 7, "Transfers of Project Ownership."
5. Additionally, a resolution from The Housing Authority of the County of Hidalgo must be submitted with the application authorizing The Housing Authority of the County of Hidalgo to form a Limited Partnership.

Should you have any questions, please contact this office.

Sincerely,

for Elena Silva

Elizabeth Garza
Rural Development Manager

2514 S. I Road, Suite 4 · Edinburg, TX 78539
Phone: (956) 383-4928 Ext 4 · Fax: (956) 383-6088 · TDD: (254) 742-9712 · Web: http://www.rurdev.usda.gov

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USDA Rural Development

United States Department of Agriculture
Rural Development
Texas State Office

FEB 2 5 2008

Mike Lopez, Executive Director
Texas Northside Housing, LP
1800 N. Texas
Weslaco, Texas 78596

Subject: Transfer Application
Northside Apartments

Dear Mr. Lopez:

USDA Rural Development notified you in a letter, dated February 14, 2008, that we were unable to move forward to the next stage of processing your transfer application as Texas Northside Housing, LP, the proposed transferee and applicant, is not eligible to receive grant funds from the Agency. In response, we received a revised application proposal indicating that the current grant funds, obligated in 2005 to the Hidalgo County Housing Authority, the transferor, will be returned and no longer used as part of the transfer proposal.

We have reviewed your revised proposal and we still are unable to approve this transfer. As previously stated, a limited partnership is not eligible to receive grant funds from the Agency, which includes the assumption of any grants previously awarded to the transferor that are under current grant agreement(s) with the Agency. The Hidalgo County Housing Authority, the transferor, currently has two grant agreements in place, dated March 13, 1991 and July 21, 1976.

In accordance with the grant agreements currently in place, 7 CFR 3560, §3560.555 and 7 CFR 3015, §3015.163 (a) and (b), "Real Property; Transfer of Title", approval may be requested from the awarding agency to transfer title to an **eligible** third party for continued use for authorized purposes. Texas Northside Housing, LP is not an eligible third party and the application for transfer and assumption of Northside Apartments is rejected due to ineligibility of the applicant, Texas Northside Housing, LP. Rejection of an application due to ineligibility is not an appealable action.

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Northside Apartments

If you have any questions regarding this letter please contact Janet Darling, Housing Programs, at 254-742-9766.

Sincerely,

SCOOTER BROCKETTE
Housing Programs Director

cc: State Director
David Marquez, Affordable Housing Consultants
AD Jake Sheeran, Alice, Texas
RDM Elizabeth Garza, Edinburg, Texas
Housing Authority of Hidalgo

USDA Rural Development

United States Department of Agriculture
Rural Development
Edinburg Local Office

Mr. Mike Lopez, Executive Director
The Housing Authority of the County of Hidalgo
Northside Apartments
1800 N. Texas
Weslaco, Texas 78596-0000

JUL 15 2005

LETTER OF APPROVAL/CONDITIONS

Dear Mr. Lopez:

The application for a Section 514 Farm Labor Housing loan in the amount of $601,441, and a Section 516 Farm Labor Housing grant in the amount of $5,412,973, are approved. The total cost of the project will be $6,014,414.

The terms of the LH rehabilitation loan will be for 33 years with an amortization period of 396 months at one percent (1%). The property has 289 units and 203 units of rental assistance. An additional 10 units will be provided to the property, bringing the total to 213 units of rental assistance.

Approval is subject to requirements of applicable USDA Rural Development regulations, Closing Instructions will be issued by our Office of General Counsel (OGC), and the conditions listed below.

1. **SPECIAL REQUIREMENTS:**

- The rehabilitation loan will be closed in accordance with closing instructions issued by the Office of General Counsel (OGC).
- Form RD 3560-39, "Loan Resolution," must be executed by the borrower and acknowledged by the Board.

2. **CONSTRUCTION AND DEVELOPMENT:**

- All rehabilitation plans, specifications, and contracts, must be approved by the State Director prior to start of the rehabilitation work. Construction must not begin prior to closing the rehabilitation loan. The following conditions also apply:
- A pre-construction conference is to be held with the following persons present: borrower and management representatives, architect and/or engineer, contractor, and the Area Director. Form RD 1924-16, "Record of Preconstruction Conference," is to be used to record the conference. A copy of the completed form is to be provided to the State Office.
- If an identity of interest exits between the applicant and contractor, cost certification will be required in accordance with provisions of RD Instruction 1924-A.

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- Rehabilitation of the property must meet Section 504 handicap and accessibility standards, thermal standards, correct all deferred maintenance, and bring the physical condition of the property into program compliance.

- All construction and development must be completed in accordance with the final USDA Rural Development approved plans and specifications, and any changes or alterations subsequently approved or required by USDA Rural Development. Deviation from these approved plans and specifications will not be permitted without prior written USDA Rural Development approval. All applicable provisions of RD Instruction 1924-A will apply.

- A copy of all documents in regard to the rehabilitation must be furnished to USDA Rural Development, including but not limited to the Pre-Construction Conference, Partial Payment Estimates, Inspections, Contract Change Orders, Certificate of Occupancy, Termite Inspections and Treatment Certification, Certification by Architect to Accessibility, Builder's Warranty, Performance Bonding, and Release of Claimants. USDA Rural Development wishes to be notified of all scheduled inspections and attend the inspections.

- If cultural materials are encountered during construction, work shall cease in the immediate area; work can continue in the project area where no cultural materials are present. The Secretary of Interior should be contacted in accordance with 36 CFR 800.7. Please also notify the State Historic Preservation Officer at 512-463-6096.

- The Department of Treasury mandated all disbursements via paper check to be discontinued as of January 1, 1999. All payments made by the government after this date must be made by **Electronic Funds Transfer (EFT). Since all loan funds are to be disbursed through EFT, Form SF-3881, Electronic Funds Transfer Payment Enrollment Form,"** is attached for your use. You should contact the Housing Payment Center, for assistance in setting up this account.

3. PAYMENTS:

Since you are using multiple advances, your USDA Rural Development loan will be closed prior to starting construction. Monthly payments are required on the loan in accordance with the Promissory Note and Rental Assistance Agreement, beginning 30 days after the date of the completion of construction. The first payment will be due one month (30 days) after the MDL is reached. Form RD 3560-29, "Notice of Payment Due Report," must accompany each monthly payment to USDA Rural Development.

The project currently is in operation and will remain in continuous operation during rehab; therefore, the new project will execute a new Form RD 3560-9, "MFH Interest Credit and Rental Assistance Agreement," in accordance with RD Instruction HB-2-3560.

The PREAUTHORIZED DEBIT (PAD) payment process will be used unless you make a specific request otherwise and receive USDA Rural Development approval. It will allow for your payment to be electronically debited from your account on the day your payment is due.

4. CONTRIBUTION:

The Housing Authority is not required to furnish any cash at closing; however you have agreed to furnish from your own resources any cash necessary above the projected development costs for any cost overruns that may be incurred.

5. RESERVE REQUIREMENT:

The additional annual reserve requirement for the new loan to the Housing Authority of the County of Hidalgo (Northside Apartments) will be $6,014, bringing the total annual reserve contribution to $91,978. The loan resolution with the reserve requirement will be prepared by USDA Rural Development and must be signed prior to requesting closing instructions.

The USDA Rural Development debt service and reserve account must be on schedule at the end of each year of complete operation. If any excess from operations remains at the end of the year, the government may require that the borrower reduce the rents the following year and/or refund the excess to the residents or use said excess in a manner that will best benefit the residents.

6. SECURITY:

The security for the loan will be a second (rehabilitation loan) mortgage lien on the Real Property, as well as an assignment on all income and revenues of the property.

7. BUSINESS SERVICES AND OCCUPANCY:

A copy of the Multiple Housing Management Handbook (HB-2-3560), which prescribes USDA Rural Development regulations, policies, and procedures for management of your project, may be obtained on the Internet at http://www.rurdev.usda.gov/regs/handbook/hb-2-3560/hb-2-3560.pdf. A copy of the handbook should be provided to the property site manager. You must operate the property in accordance with your loan agreement. No income may be diverted from the housing project to any other business or enterprise. 7 CFR 3560.160 contains a copy of USDA Rural Development Tenant Grievance and Appeals Procedure. A copy of this instruction should be made available to each resident, and a copy must be posted in the rental facility. It is important that you have a fully trained manager employed on site at the time you begin accepting applications. The manager should be thoroughly familiar with the USDA Rural Development Management Handbook.

The operating budget has been reviewed and is approved. This rent structure must be implemented upon completion of the rehabilitation. The following rents are not to be exceeded:

SIZE	BASIC	UTILITY ALLOWANCE
1 BR	$250	$46
2 BR	$303	$63
3 BR	$368	$72
4 BR	$415	$83

A new utility allowance based on actual usage data, is to be submitted following the first full year of operation.

Any changes in the rental rates and/or utility allowance must be submitted to USDA Rural Development for review and concurrence. Rent increase requests must be processed as required by RD Instruction HB-2-3560, Chapter 7, Section 7.13.

To be eligible for occupancy in this property, residents must meet the income eligibility requirements of. To be eligible for occupancy in this project, residents must be farm laborers as defined in RD Instruction HB-2-3560, Chapter 6, Section 6.3, with an adjusted annual family income not to exceed the moderate income limits, in RD Instruction 1944-A, Exhibit C if rental assistance is required by the tenant, along with the most recent farm labor income definition as developed by the National Office.

Each resident occupying a unit in the property must enter into a written lease agreement for a term of not less than seven (7) days. In addition, Form RD 3560-8, "Tenant Certification," must be completed for each household; and tenants must agree to re-certification of income every 12 months. Ineligible residents may occupy the property only if there are no eligible applicants available and if you have received prior written authorization from the Area Director. Eligibility is determined by income as well as by household size.

The Management Plan, Form RD 3560-13, Management Certification, Owner-Resident Manager Agreement, Project Rules and Regulations, Lease Agreement and other agreements, which affect project operations, must be approved by the Area Director. These agreements will not be changed without the prior written approval of the Area Director. Administrative/management related expenses (salaries, travel, management and administrative fees, wages) must not be excessive. USDA Rural Development can require that any unapproved or excessive amounts of management/ administrative expenses be returned to the residents at the end of the year.

- Management/administrative expenses are not to exceed the level approved in the annual budget and management agreement.

- Projects are to operate within the approved budget. Any significant deviation in approved budgets must have prior approval from the Area Director.

As a minimum, all of the housing operations and loan servicing accounts outlined in your loan agreement must be established and maintained during the life of your loan. Tenant Security Deposits are to be maintained separate from operating funds and are to be held in trust at all times for return to the residents.

8. REQUIRED REPORTS TO USDA RURAL DEVELOPMENT:

Quarterly and Annual Reports must be submitted as follows:

- Quarterly Reports, prepared on Form RD 3560-7, are to be submitted by the 20th day of the month following the close of the respective reporting period for at least the first year after the rehabilitation has taken place, or until written authorization is given to discontinue submission of reports. Quarterly reports may again be required if there is a failure to make the USDA Rural Development payment or monthly transfers to the reserve account.

- A proposed budget for the next fiscal year is to be submitted to the local servicing office 45 to 90 days prior to the end of the current year. Material to be submitted includes:

    - Form RD 3560-7, with the current approved budget and utility allowances in Column 1, the proposed budget in Column 3, and, if requesting an increase in rents and utility allowances, note rate proposed budget in Column 4.

- If requesting a rental rate change, material listed in RD Instruction HB-2-3560, Chapter 7, Section 7.13.

- Annual reports relative to project operations, income and expenses are due within 90 days of the end of the project fiscal year throughout the loan term. Reports will consist of:

    - A CPA or LPA audit on the consolidated project prepared in accordance with the booklet, "Instructions to Independent CPA's and LPA's and Government Auditing Standards, issued by the Comptroller General of the United States.

    - Form RD 3560-7, "Multiple Family Housing Budget/Utility Allowance," with actual income and expense figures.

- Copy of paid tax receipts.
- Miscellaneous material that may be required by the USDA Rural Development servicing office.

All RD Instruction HB-2-3560 reports (quarterly and annual) must be current before any new application, rate change, utility allowance change, request for Rental Assistance, transfer, reamortization or continuing of Interest Credit assistance will be approved by USDA Rural Development.

9. INSURANCE:

The following levels of insurance are either recommended or required for this property:

- **Liability Insurance**: The minimum amount of liability insurance recommended by USDA Rural Development is $500,000/$1,000,000 bodily injury and property damage liability.
- **Real Property Insurance**: Adequate fire and casualty insurance policies in the name of the purchaser must be procured in an amount equal to the "depreciated replacement value" (actual cash value) of all essential buildings. Once the substantial repair/rehabilitation is made to the essential buildings, the amount of the insurance required will be in an amount not less than the "Concluded Insurable Value" of $10,661,000, as reflected in the appraisal. The following additional provisions will apply:
    - Form RD 426-2, "Property Insurance Mortgage Clause," or the provisions thereof printed in the policy or in a blanket letter from an insurance company, must be part of the policy, namely to provide USDA Rural Development, as mortgagee, with at least ten days advance notice of cancellation. The Mortgagee is to be shown as, "United States of America, acting through the Rural Housing Service or its successor agency.
    - An updated policy will be furnished on the date of the final inspection of the rehabilitation, including full coverage of the above amount, if not already provided, for one full year.
- **Workman's Compensation Insurance: Suitable** workman's compensation coverage must be provided for all employees of the project.
- **Insurance During Construction (if applicable):** During the period of construction, you should obtain the appropriate Builder's Risk, Liability, Workman's Compensation, and any other insurance required by USDA Rural Development, in amounts sufficient to protect the property and USDA Rural Development.
- **Bonding:** Fidelity bond coverage is to be provided in accordance with requirements of RD Instruction HB-2-3560, Chapter 3, Section 3.11.

10. CLOSING INSTRUCTIONS:

In order to request closing instructions, you should provide a current title commitment along with any applicable documents (ie. subordination request, proposed lien-holder agreements, surface rights waivers, etc.) to the local office 60 days prior to your requested closing date.

You must comply with the closing instructions issued by the Office of General Counsel. **Please Note: You should not solicit for, accept bids for, or begin construction prior to authorization from your local USDA Rural Development office.** Authorization will be given once the final plans/contract documents have been approved by USDA Rural Development, the conditions of the Closing Instructions as issued by the Office of General Counsel can be met, and the loan is scheduled for closing.

If you should have any questions, please contact the Edinburg Local Office at 956-383-4928.

Sincerely,

DAVID GONZALEZ
Area Director

Enclosures

cc: State Director
Housing Programs
Housing Programs Payment Center

Hidalgo C___y Housing Authority
Board Monthly Report - Northside Apartments
For the One Month Ending July 31, 2007

Description	Budgeted Amount	Current Actual	Monthly Balance	Monthly Percent	Fiscal Year Budget	Year to Actual	Year to Balance	9% Budget Percent
Administration								
Management Salaries	13,355.42	12,161.86	1,193.56	91	160,265.00	12,161.86	148,103.14	8
Accounting/Auditing	250.00	0.00	250.00	0	3,000.00	0.00	3,000.00	0
Computer Equip & Repair	333.33	73.13	260.20	22	4,000.00	73.13	3,926.87	2
Legal & Professional	416.67	0.00	416.67	0	5,000.00	0.00	5,000.00	0
Leased Equipment	291.67	591.86	(300.19)	203	3,500.00	591.86	2,908.14	17
Office Supplies	1,166.67	793.19	373.48	68	14,000.00	793.19	13,206.81	6
Rental Expense	1,125.00	0.00	1,125.00	0	13,500.00	0.00	13,500.00	0
Telephone	1,000.00	1,026.68	(26.68)	103	12,000.00	1,026.68	10,973.32	9
Staff Training	750.00	829.50	(79.50)	111	9,000.00	829.50	8,170.50	9
Compensated Absences	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Staff Travel	645.83	577.30	68.53	89	7,750.00	577.30	7,172.70	7
Board Travel/Train/Meet	500.00	0.00	500.00	0	6,000.00	0.00	6,000.00	0
Total Administration	19,834.59	16,053.52	3,781.07	81	238,015.00	16,053.52	221,961.48	7
Payroll Taxes								
Payroll Taxes	2,383.50	2,341.64	41.86	98	28,602.00	2,341.64	26,260.36	8
Unemployment	0.00	115.85	(115.85)	0	0.00	115.85	(115.85)	0
Total Payroll Taxes	2,383.50	2,457.49	(73.99)	103	28,602.00	2,457.49	26,144.51	9
Insurance								
Automobile Liability	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Fire Extended Coverage	3,750.00	0.00	3,750.00	0	45,000.00	0.00	45,000.00	0
Fidelity Bond	0.00	0.00	0.00	0	0.00	0.00	0.00	0
General Liability	833.33	0.00	833.33	0	10,000.00	0.00	10,000.00	0
Group Health Insurance	7,240.75	6,358.45	882.30	88	86,889.00	6,358.45	80,530.55	7
Workers' Compensation	916.67	0.00	916.67	0	11,000.00	0.00	11,000.00	0
Insurance Premiums	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Total General Insurance Expense	12,740.75	6,358.45	6,382.30	50	152,889.00	6,358.45	146,530.55	4

Hidalgo ıty Housing Authority
Board Monthly Report - Northside Apartments
For the One Month Ending July 31, 2007

Description	Budgeted Amount	Current Actual	Monthly Balance	Monthly Percent	Fiscal Year Budget	Year to Actual	Year to Balance	9% Budget Percent
Other General Expenses								
Advertising	41.67	0.00	41.67	0	500.00	0.00	500.00	0
Dues, Licenses & Fees	208.33	430.00	(221.67)	206	2,500.00	430.00	2,070.00	17
Eviction Expense	83.33	202.00	(118.67)	242	1,000.00	202.00	798.00	20
Pension Plan-Admin	1,335.58	1,400.04	(64.46)	105	16,027.00	1,400.04	14,626.96	9
Pension Plan-Maintenance	1,439.58	1,320.28	119.30	92	17,275.00	1,320.28	15,954.72	8
Security Services	1,040.00	1,026.25	13.75	99	12,480.00	1,026.25	11,453.75	8
Tenant Services	100.00	0.00	100.00	0	1,200.00	0.00	1,200.00	0
Housing Assistance Payments	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Utility Allowance-Tenants	108.33	77.00	31.33	71	1,300.00	77.00	1,223.00	6
Contracts-Professional Fees	250.00	49.75	200.25	20	3,000.00	49.75	2,950.25	2
Penalties & Interest	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Total Other General Expense	4,606.82	4,505.32	101.50	98	55,282.00	4,505.32	50,776.68	8
Loan Requirements								
Debt Service	8,421.17	8,421.33	(0.16)	100	101,054.00	8,421.33	92,632.67	8
Reserve Payment	0.00	0.00	0.00	0	0.00	0.00	0.00	0
Total Loan Requirements	8,421.17	8,421.33	(0.16)	100	101,054.00	8,421.33	92,632.67	8
Total Expenditures	88,264.98	83,600.57	4,664.41	95	1,059,180.00	83,600.57	975,579.43	8
Surplus (Deficit)	0.03	6,195.65	(6,195.62)	20,652,167	0.00	6,195.65	(6,195.65)	0

Housing Authority of the County of Hidalgo - Northside Apartments General Fund
Balance Sheet
June 30, 2007

ASSETS

ent Assets			
0.00.FN	Cash Unrestricted FN 502634	$ 18,896.63	
1110.01.FN	Petty Cash	200.00	
1110.03.FN	Nor Apts Cap Rep/Imp 124012868	18,602.35	
1120.05.FN	Cash Restricted-NS RS 502928	25,056.46	
1140.01.FN	Cash-Tenant Sec Dep-124011470	8,013.62	
1240.00.FN	Accounts Receivable-Rural Dev	34,000.84	
1250.01.FN	A/R-Remodernization Grant/Loan	16,700.00	
1260.00.FN	Accts Receiv-Tenant Dwell Rent	8,266.34	
1260.01.FN	Accts Receiv-Late Charges	564.79	
1260.02.FN	Accts Receiv-Maint Charges	1,811.50	
1310.00.FN	Investments-Unrestricted	371,446.57	
1320.00.FN	Investments-Restricted	85,976.73	
1440.04.FN	Due from NS General Fund	128,878.01	
	Total Current Assets		718,413.84
Property and Equipment			
1610.00.FN	Land	139,725.00	
1620.00.FN	Buildings	9,427,498.05	
1630.00.FN	Furn, Fixtures, Mach & Equip	398,929.03	
1640.01.FN	Vehicles	168,024.90	
1650.00.FN	Leasehold Improvements	146,867.35	
1660.00.FN	Accumulated Depreciation	(461,311.02)	
1661.00.FN	Accumulated Depr-Buildings	(6,599,248.63)	
1662.00.FN	Accumulated Depr-Leasehold Imp	(8,022.63)	
	Total Property and Equipment		3,212,462.05
r Assets			
	Total Other Assets		0.00
	Total Assets		$ 3,930,875.89

LIABILITIES AND CAPITAL

Current Liabilities			
3120.00.FN	Accts Payable < than 90 days	$ 27,585.74	
3220.01.FN	Accrued Compensation Vacation	4,160.00	
3410.00.FN	Tenant Security Deposits	82,029.99	
3410.01.FN	MET Deposits	944.85	
3430.00.FN	Current Portion L-T Debt-Capit	86,642.44	
3470.03.FN	Due to Northside Capital Impro	128,878.01	
	Total Current Liabilities		330,241.03
Long-Term Liabilities			
3510.02.FN	Northside Apts Loan#2	16,590.32	
3510.03.FN	Northside Apts Loan#3	1,383,335.72	
3530.00.FN	Noncurrent Liabilities-Other	16,640.00	
	Total Long-Term Liabilities		1,416,566.04
	Total Liabilities		1,746,807.07

ital

sing Authority of the County of Hidalgo - Northside Apartments General Fund
Balance Sheet
June 30, 2007

5080.00.FN	Invested on Capital Net of Deb	141,088.61	
5090.00.FN	Reserved for Operating Activit	92,356.52	
5120.00.FN	Undesignated Fund Bal-R/E	1,581,223.64	
[illegible]30.01.FN	Fund Balance Operating Reserve	466,454.23	
	Net Income	(97,054.18)	
	Total Capital		2,184,068.82
	Total Liabilities & Capital		$ 3,930,875.89

Northside Apartments General Fund
Income Statement
For the Twelve Months Ending June 30, 2007

	Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
Revenues				
Operating Transfer Ins-Reserve	$ 64,665.00	$ 0.00	$ 64,665.00	$ 0.00
Operating Transfer Ins-NCI	101,054.36	0.00	101,054.36	0.00
Transfer In-Debt Service Fund	0.00	0.00	0.00	0.00
Tenant Rents	52,966.78	54,563.13	635,438.37	654,758.00
Tenant Revenue-Other	1,626.88	1,791.63	24,026.37	21,500.00
Late Charges	920.00	958.37	11,410.00	11,500.00
HUD-PHA Grants	0.00	0.00	0.00	0.00
Rental Assistance/Subsidy	34,001.00	37,916.87	410,681.84	455,002.00
Investment Income Unrestricted	25,474.46	250.00	26,301.49	3,000.00
Interest Income unrestricted	1,519.47	0.00	1,925.19	0.00
Mortage Interest Income	0.00	0.00	0.00	0.00
Fraud Recovery	0.00	0.00	0.00	0.00
Other Revenue	0.00	0.00	0.00	0.00
Utility Allowance-Tenants	0.00	0.00	0.00	0.00
Other Income	1,753.00	83.37	17,330.66	1,000.00
Building Rental Income	0.00	0.00	0.00	0.00
Transfer from Reserve	0.00	0.00	0.00	0.00
Gain/Loss/ Sale Fixed Assets	0.00	0.00	0.00	0.00
Investment Income-Restricted	0.00	0.00	0.00	0.00
Total Revenues	283,980.95	95,563.37	1,292,833.28	1,146,760.00
Cost of Sales				
Total Cost of Sales	0.00	0.00	0.00	0.00
Gross Profit	283,980.95	95,563.37	1,292,833.28	1,146,760.00
Expenses				
Oper Transfers Out-Debt Servic	8,421.33	8,421.13	101,054.36	101,054.00
Oper Trans Out-Reserve Paymen	43,184.01	7,160.37	64,665.00	85,924.00
Oper Trans Out-NCI	0.00	0.00	0.00	0.00
Administrative Salary	16,136.59	11,425.13	149,821.90	137,102.00
Auditing Fee	0.00	250.00	0.00	3,000.00
Accounting	2,750.00	0.00	2,750.00	0.00
Contracts-Professional Fees	1,877.39	250.00	12,649.89	3,000.00
Compensated Absences	438.24	0.00	438.24	0.00
Staff Travel	2,154.58	645.87	11,688.58	7,750.00
Emp. Benefit Retirement-Adm.	1,846.89	1,142.50	18,549.38	13,710.00
Payroll Taxes	3,025.84	2,225.70	27,217.69	26,707.96
Workers' Compensation	0.00	1,083.37	7,172.32	13,000.00
Unemployment	163.42	322.62	3,984.81	3,871.00
Other-Operating-Administrative	0.00	0.00	0.00	0.00
Telephone	1,050.85	381.37	10,016.26	4,576.00
Office Supplies	733.71	1,000.00	15,122.74	12,000.00
Staff Training	415.00	750.00	5,306.89	9,000.00
Legal & Professional	1,447.13	416.63	4,918.15	5,000.00
Computer Equip & Repair	0.00	416.63	2,341.07	5,000.00
Lease Equipment-FN	109.00	500.00	2,424.22	6,000.00
Tenant Services	0.00	83.37	577.42	1,000.00
Relocation Costs	0.00	0.00	0.00	0.00
Emp.Benefit Contribution-Tenat	0.00	0.00	0.00	0.00
Tenant Services-Other	0.00	0.00	329.37	0.00
Water	3,632.00	4,166.63	45,307.25	50,000.00
Electricity	2,450.52	2,750.00	28,363.34	33,000.00
	0.00	8.37	60.00	100.00

Northside Apartments General Fund
Income Statement
For the Twelve Months Ending June 30, 2007

	Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
~her Utility Expense				
ver	15.00	133.37	814.85	1,600.00
Garbage & Trash	3,117.08	3,333.37	37,873.31	40,000.00
Labor	4,116.90	4,000.00	43,691.04	48,000.00
Salaries-Maintenance	0.00	0.00	0.00	0.00
Materials	21,696.68	16,628.50	205,964.73	199,542.00
General Maintenance & Repair	0.00	0.00	0.00	0.00
Ground Maintenance	309.51	5,000.00	40,782.33	60,000.00
Supplies-Expenditures	186.19	208.37	1,859.55	2,500.00
Contracts-Maintenance	0.00	0.00	0.00	0.00
Services	267.50	458.37	8,507.20	5,500.00
Emp.Benefit Contribution-Maint	0.00	0.00	0.00	0.00
Reserve-Special Project	1,737.13	1,662.87	16,220.57	19,954.00
Protective Services Labor-OCC	100.00	0.00	100.00	0.00
Protective Services Labor-Othe	0.00	0.00	0.00	0.00
Empl. Benefit Contr.-Protected	0.00	0.00	0.00	0.00
Insurance Premiums	0.00	0.00	0.00	0.00
Automobile Liability	0.00	0.00	0.00	0.00
General Liability	0.00	0.00	0.00	0.00
Fidelity Bonds Insurance	0.00	833.37	5,055.77	10,000.00
Fire & Extended Coverage	0.00	0.00	0.00	0.00
Other Insurance	0.00	3,750.00	32,415.72	45,000.00
Group Health Ins.-Admin.	0.00	0.00	304.83	0.00
Group Health Insurance-Maint.	9,952.40	6,327.89	91,432.59	75,934.13
Vehicle Expense	0.00	0.00	0.00	0.00
Painting & Decorating	2,069.75	1,000.00	13,979.88	12,000.00
Radios & Beepers	619.12	683.37	9,404.91	8,200.00
Advertising	0.00	125.00	220.70	1,500.00
Board Travel/Training/Meeting	38.46	66.63	1,038.18	800.00
)d Travel-HUD	56.52	500.00	3,286.32	6,000.00
..rd Meeting Monthly Expense	0.00	0.00	0.00	0.00
Eviction Expense	0.00	0.00	0.00	0.00
Rental Expenses	231.00	83.37	0.00	1,000.00
Uniforms	6,750.00	1,125.00	13,500.00	13,500.00
Dues/Licenses/Fees	200.00	50.00	754.02	600.00
Penalties and Interest	217.45	208.37	1,745.22	2,500.00
Security Services	0.00	0.00	0.00	0.00
Leased Equipment/Contract Cost	1,220.00	1,040.00	12,185.04	12,480.00
Payment in Lieu of Taxes	0.00	0.00	0.00	0.00
Bad Debts-Tenant Rents	0.00	0.00	0.00	0.00
Bad Debts-Mortgages	19,458.95	0.00	19,458.95	0.00
Bad Debts-Other	0.00	0.00	0.00	0.00
Interest Expense	4,134.64	0.00	4,134.64	0.00
Severance Expense	0.00	0.00	0.00	0.00
Extraordinary Maintenance	0.00	0.00	0.00	0.00
Casualty Losses Non Capitalize	0.00	0.00	0.00	0.00
Depreciation Expense	0.00	0.00	0.00	0.00
Fraud Losses	278,296.43	0.00	278,296.43	0.00
Furniture/Finishing Replacemen	0.00	0.00	0.00	0.00
Replacment of Non-Expen Equip	1,985.00	1,247.00	17,689.88	14,964.00
Interest NP N/S Proj 06/06 #2	0.00	0.00	0.00	0.00
Interest NP N/S Proj 06/06 #3	217.58	0.00	217.58	0.00
	14,194.34	0.00	14,194.34	0.00
Total Expenses	461,024.13	91,864.54	1,389,887.46	1,102,369.09
Net Income	$ (177,043.18)	$ 3,698.83	$ (97,054.18)	$ 44,390.91

HOUSING AUTHORITY OF THE C
NORTHSIDE APARTMENTS

DWELL
Month

Bedroom Size	Rental Charge	Number Occupied	Total
1	250.00	38	9,500.(
2	303.00	149	45,147.(
3	368.00	69	25,392.(
4	415.00	14	5,810.(
	Totals:	270	85,849.(

OCCUPANCY REPORT

Bedroom Size	Number Available	Number Occupied	Vacancy
1	38	38	0
2	156	149	7
3	79	69	10
4	16	14	2
Totals:	289	270	19

SUMMARY OF CHARGES AND COLLEC

	Charges
Tenants-Rents	51,000.7
Tenants-Late Charges	900.C
Tenants-Maint. & Repair Charges	2,248.3
Tenants-Security Deposits	2,538.C
Court Fees	106.C
NSF Check Fees	0.C
Miscellaneous	
Rural Development Subsidy	25,036.8
Totals:	81,829.8

LOAN AND GRANT RESOLUTION OF 7-21, 19 76

RESOLUTION OF THE BOARD OF DIRECTORS OF The Housing Authority of the County of Hidalgo, Tx PROVIDING FOR OBTAINING FINANCIAL ASSISTANCE IN THE AMOUNT $ 1,963,530.00 TO AID IN FINANCING FEDERALLY DEFINED LOW-RENT HOUSING AND RELATED FACILITIES FOR LOW-INCOME DOMESTIC FARM LABOR, AND RELATED MATTERS.

Whereas The Housing Authority of the County of Hidalgo, Texas (herein referred to as the "Corporation") is organized and operating under Texas Housing Authority law 2692, Veron's Tx Art. 1269K 1937 (authorizing State statute) and the board of directors of the Corporation has determined that - -

(a) The Corporation should provide low-rent housing and related facilities for low-income domestic farm labor, as defined in title V of the Housing Act of 1949.

(b) The estimated total cash development cost of such housing and facilities amounts to $ 1,963,530.00

(c) For such purpose the Corporation is able to furnish from its own resources $ None

(d) The Corporation will need financial assistance in the amount of $1,963,530.00 which the Corporation is unable to obtain from other sources for such purpose upon terms and conditions which the Corporation could reasonably be expected to fulfill.

(e) Of such amount of needed financial assistance the Corporation will be able to repay, with interest at 1% per annum, the amount of $228,970.00 over a repayment period of 33 years, if the balance of $1,734,560.00 is made available to the Corporation as a grant.

(f) The housing and related facilities will fulfill a pressing need in the area in which they are or will be located.

(g) The housing and facilities cannot be provided without the aid of a grant in the amount stated above;

7-30-07 17,172

THEREFORE BE IT RESOLVED:

1. Application for Loan and Grant. The Corporation shall apply to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called "the Government") for a loan of $228,970.00 and a grant of $2,734,560.00 pursuant to Title V of the Housing Act of 1949. Such loan may be insured by the Government. The loan and the grant shall be used only for the specific eligible purposes approved by the Government, in order to provide low-rent housing and related facilities for low-income domestic farm labor. Such housing and facilities and the land constituting the site may be referred to herein as the "housing."

2. Execution of Loan and Grant Instruments. To evidence the loan the Corporation shall issue a promissory note (herein referred to as "the note"), signed by its President and attested by its Secretary, with its corporate seal affixed thereto, for the amount of the loan, payable in installments over a period of 33 years, bearing interest at a rate not to exceed 1 percent per annum, and containing other terms and conditions prescribed by the Government. To evidence the obligations of the grant, the Corporation shall execute an instrument in the form attached hereto entitled "Labor Housing Grant Agreement" and referred to herein as the "Grant Agreement," evidencing terms and conditions upon which the grant is made by the Government and the obligations of the Corporation with respect thereto. To secure the note and/or all other obligations and agreements of the Corporation with respect to the loan and the grant, as required by the Government, the President and the Secretary are hereby authorized to execute a security instrument giving a lien upon or security interest in the housing and such other property as the Government shall require, including an assignment of or security interest in the rents and profits as collateral security to be enforceable in the event of any default by the Corporation. The President and the Secretary are further authorized to execute any other security and other instruments, agreements, and documents required by the Government for the loan or grant. The indebtedness and other obligations of the Corporation under the note, Grant Agreement, this resolution, the security instrument, and any other instruments and agreements related to the loan or grant are herein called the "loan and grant obligations."

3. Equal Employment Opportunity under Construction Contracts and Nondiscrimination in the Use of Occupancy and Housing and in Any Other Benefits of the Loan or Grant. The President and the Secretary are hereby authorized and directed to execute on behalf of the Corporation (a) any undertakings and agreements

required by the Government regarding nondiscrimination in the use and occupancy of housing, (b) Farmers Home Administration Form FHA 400-1, "Equal Opportunity Agreement," involving an Equal Opportunity Clause to be incorporated in or attached as a rider to each construction contract which exceeds $10,000 in amount and is paid for in whole or in part with loan or gran funds, and (c) Farmers Home Administration Form FHA 400-4, "Nondiscrimination Agreement," a copy of which is attached hereto and made a part hereof.

4. Supervised Bank Account. The proceeds of the loan and grant and the amount of $ None to be contributed by the Corporation from its own funds and used for approved eligible purposes shall be deposited in a "supervised bank account" as required by the Government. 1/ Amounts in the supervised bank account exceeding $20,000 shall be secured by the depositary bank in advance in accordance with U. S. Treasury Department Circular No. 176. As provided by the terms of the agreement creating the supervised bank account, all funds therein shall, until duly expended, collaterally secure the loan and grant obligations. Withdrawals from the supervised bank account by the Corporation shall be made only on checks signed by the Executive Director of the Corporation and countersigned by the County Supervisor or other authorized official of the Farmers Home Administration, and only for the specific eligible purposes approved in writing by the Government. The Corporation's share of any liquidated damages or other monies paid by defaulting contractors of their sureties shall be deposited in the supervised bank account to assure completion of the project. When all approved items eligible for payment with loan or grant funds are paid in full, any balance remaining in the supervised bank account shall be treated as a refund of loan and grant funds in the same ratio as that between the amounts of the loan and grant, and the supervised bank account shall be closed.

5. Accounts for Housing Operations and Loan Servicing. The Corporation shall establish on its books the following accounts, which shall be maintained so long as the loan or grant obligations continue: A General Fund Account, an Operation and Maintenance Account, a Debt Service Account, and a Reserve Account. Funds in said accounts shall be deposited in a bank or banks insured by the Federal Deposit Insurance Corporation, except for any portion invested in readily marketable obligations of the United States as authorized by section 9. The Treasurer of the Corporation shall execute a fidelity bond, with a surety company approved by the Government, in an amount not less than the estimated maximum amount of such funds to be held in said accounts at any one time. The United States of America shall be named as co-obligee, and the amount of the bond shall not be reduced without the prior written consent of the Government. The Corporation in its discretion may at any time establish and utilize additional accounts to handle any funds not covered by the provisions of this resolution.

1/ Only loan or grant funds, and borrower's funds to be used for an eligible loan or grant purpose, may be deposited in the supervised bank account.

6. General Fund Account. By the time the loan and grant are closed the Corporation shall from its own funds deposit in the General Fund Account the amount of $ None . All income and revenue from the housing shall upon receipt be immediately deposited in the General Fund Account. The Corporation may also in its discretion at any time deposit therein other funds, not otherwise provided for by this resolution, to be used for any of the purposes authorized in section 7, 8, or 9. Funds in the General Fund Account shall be used only as authorized in said sections and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

7. Operation and Maintenance Account. Not later than the 15th of each month, out of the General Fund Account shall be transferred to the Operation and Maintenance Account, sufficient amounts to enable the Corporation to pay from the Operation and Maintenance Account the actual, reasonable, and necessary current expenses, for the current month and the ensuing month, of operating and maintaining the housing not otherwise provided for. Current expenses may include, in addition to expenses occurring or becoming due monthly, monthly accumulations of proportionate amounts for the payment of items which may become due either annually or at irregular intervals, such as taxes and insurance and normal repair and replacement of furnishings and equipment reasonably necessary for operation of the housing. Current expenses may also include initial purchase and installation of such furnishings and equipment with any funds deposited in and transferred from the General Fund Account which are not proceeds of the loan and, unless the Government gives prior written consent, are not income or revenue from the housing.

8. Debt Service Account. Each month, immediately after the transfer to the Operation and Maintenance Account provided for in section 7, or after it is determined that no such transfer is called for, any balance remaining in the General Fund Account, or so much thereof as may be necessary, shall be transferred to the Debt Service Account until the amount in the Debt Service Account equals the amount of the next installment due on the loan. Funds in the Debt Service Account shall be used only for payments on the loan obligations while they continue and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

9. Reserve Account. (a) Immediately after each transfer to the Debt Service Account as provided in section 8, any balance in the General Fund Account shall be transferred to the Reserve Account. Funds in the Reserve Account may be used only as authorized in this resolution and until so used shall be held by the Corporation in trust as security for the loan and grant obligations. Transfers at a rate not less than $ 15,740.00 2/ annually shall be made to the Reserve Account until the amount

2/ In most cases this figure should be one-tenth of the aggregate sum specified later in the sentence as the total amount of the Reserve Account.

in the Reserve Account reaches the sum of $157,350.00 3/ and shall be resumed at any time when necessary, [illegible] Reserve Account, to restore it to said sum. Of such sum, at least [illegible] percent shall be maintained on a cash basis, referred to herein as the "cash reserve." After the cash reserve reaches the required 50 percent of said sum, all or any portion of the balance of said sum may, at the option of the Corporation, consist of an amount, referred to herein as the "prepayment reserve," by which the Corporation is "ahead of schedule" as defined in the regulations of the Farmers Home Administration. Funds in the cash reserve shall be deposited in a separate bank account or accounts insured by the Federal Deposit Insurance Corporation or invested in readily marketable obligations of the United States, the earnings on which shall accrue to the Reserve Account.

(b) With the prior consent of the Government, funds in the Reserve Account may be used by the Corporation - -

(1) To meet payments due on the loan obligations in the event the [illegible] in the Debt Service Account is not sufficient for the purpose.

(2) To pay costs of repairs or replacements to the housing caused by catastrophe or long-range depreciation which are not current expenses under section 7.

(3) To make improvements or extensions to the housing.

(4) For other purposes desired by the Corporation which in the judgment of the Government likely will promote the loan or grant purposes without jeopardizing collectibility of the loan or impairing the adequacy of the security, or will strengthen the security, or will facilitate, improve, or maintain the orderly collectibility of the loan.

(c) Any amount in the Reserve Account which exceeds the sum specified in sub-section (a), and is not agreed between the Corporation and the Government to be used for purposes authorized in subsection (b) shall be applied promptly on the loan obligations.

10. Regulatory Covenants. So long as the loan or grant obligations continue, the Corporation shall - -

3/ The amount to be inserted will usually be about 10 percent of the value of the buildings and related facilities financed wholly or partially with the loan and grant. (Revised 7-3-74 - PN 420.)

(a) Impose and collect such fees, assessments, rents, and charges that the income of the Corporation will be sufficient at all times for operation and maintenance of the housing payments on the loan obligations, and maintenance of the accounts herein provided for.

(b) Maintain complete books and records relating to the Corporation's financial affairs, cause such books and records to be audited at the end of each fiscal year, promptly furnish the Government without request a copy of each audit report, and permit the Government to inspect such books and records at all reasonable times.

(c) If required or permitted by the Government, revise the accounts herein provided for, or establish new accounts, to cover handling and disposition of income from and payment of expenses attributable to the housing or to any other property securing the loan or grant obligations, and submit to the Government regular and special reports concerning the housing or the Corporation's financial affairs, including any information required by the Government regarding income of the occupants of the housing.

(d) Unless the Government gives prior consent - -

(1) Not use or permit use of the housing for any purpose other than as low-rent housing and related facilities for low-income domestic farm labor, as those terms are defined by the Government.

(2) Not enter into any contract or agreement for improvements or extensions to the housing or other property securing the loan or grant obligations.

(3) Not cause or permit voluntary dissolution of the Corporation, nor merge or consolidate with any other organization, nor transfer or encumber title to the housing or any part thereof or interest therein, by sale, mortgage, lease, or other conveyance or encumbrance, nor engage in any other new business, enterprise, or venture than operation of the housing.

(4) Not borrow any money, nor incur any liability aside from current expenses as defined in section 7.

(e) Submit the following to the Government for prior review not less than 15 days before the effective dates, and for prior approval unless approval is waived by the Government:

(1) Annual budgets and operating plans.

(2) Statements of management policy and practice including eligibility criteria and implementing rules for occupancy of the housing.

(3) Proposed rents and charges and other terms of rental agreements for occupancy of the housing.

(4) Rates of compensation to officers and employees of the Corporation payable from or chargeable to any account provided for in this resolution.

(f) If required by the Government, modify and adjust any matters covered by clause (e) of this section.

(g) Comply with all its agreements and obligations in or under this resolution, the note, Grant Agreement, security instrument, and any related agreement executed by the Corporation in connection with the loan or grant.

(h) Not alter, amend, or repeal without the Government's consent this resolution or the bylaws or articles of incorporation of the Corporation, which shall constitute parts of the total contract between the Corporation and the Government relating to the loan and grant obligations.

(i) Do other things as may be required by the Government in connection with the operation of the housing, or with any of the Corporation's operations or affairs which may affect the housing, the loan or grant obligations, or the security.

11. Refinancing of Loan. If at any time it appears to the Government that the Corporation is able to obtain a loan upon reasonable terms and conditions to refinance the loan obligations then outstanding, upon request from the Government, the Corporation will apply for, take all necessary actions to obtain, and accept such refinancing loan and will use the proceeds for said purpose.

12. General Provisions.

(a) It is understood and agreed by the Corporation that any loan or grant will be administered subject to the limitations of the authorizing act of Congress and related regulations, and that any rights granted to the Government herein or elsewhere may be exercised by it in its sole discretion to carry out the purposes of the loan and grant, enforce such limitations, and protect the Government's financial interest in the loan and grant and the security.

(b) The provisions of this resolution are representations of the Corporation to induce the Government to make or insure a loan or make a grant to the Corporation as aforesaid. If the Corporation should fail to comply with or perform any of its loan or grant obligations, such failure shall constitute default as fully as default in payment of amounts due on the loan obligations. In the event of default, the Government at its option may declare the entire amount of the loan and grant obligations immediately due and payable and, if such entire amount is not paid forthwith, may take possession of and operate the housing and proceed to foreclose its security and enforce all other available remedies.

(c) Any provisions of this resolution may be waived by the Government in its sole discretion, or changed by agreement between the Government and the Corporation, after this resolution becomes contractually binding, to any extent such provisions could legally have been foregone, or agreed to in amended form, by the Government initially.

(d) Any notice, consent, approval, waiver, or agreement must be in writing.

(e) This resolution may be cited in the security instrument and elsewhere as the "Loan and Grant Resolution of 7-21 1976."
(date of this resolution)

CERTIFICATE

The undersigned Horace Etchison, the Secretary of the corporation identified in the foregoing resolution, hereby certifies that the foregoing is a true copy of a resolution duly adopted by the board of directors on 7-21 1976, which has not been altered, amended, or repealed.

7-21-76
(Date)

Horace Etchison
(Secretary)

(SEAL)

o 0 o

(LABOR HOUSING LOAN AND GRANT TO A NONPROFIT CORPORATION)

LOAN AND GRANT RESOLUTION OF MARCH 13, 1991

RESOLUTION OF THE BOARD OF DIRECTORS OF Hidalgo County Housing Authority PROVIDING FOR OBTAINING FINANCIAL ASSISTANCE IN THE AMOUNT $________ TO AID IN FINANCING FEDERALLY DEFINED LOW-RENT HOUSING AND RELATED FACILITIES FOR LOW-INCOME DOMESTIC FARM LABOR, AND RELATED MATTERS.

Whereas HIDALGO COUNTY HOUSING AUTHORITY (WESLACO PROJECT) (herein referred to as the "Corporation") is organized and operating under ____________________ (authorizing State statute) and the board of directors of the Corporation has determined that --

(a) The Corporation should provide low-rent housing and related facilities for low-income domestic farm labor, as defined in title V of the Housing Act of 1949.

(b) The estimated total cash development cost of such housing and facilities amounts to $6,022,400.

(c) For such purpose the Corporation is able to furnish from its own resources $ -0- .

(d) The Corporation will need financial assistance in the amount of $6,022,400 which the Corporation is unable to obtain from other sources for such purpose upon terms and conditions which the Corporation could reasonably be expected to fulfill.

(e) Of such amount of needed financial assistance the Corporation will be able to repay, with interest at 1% per annum, the amount of $2,453,250 over a repayment period of 33 years, if the balance of $3,569,150 is made available to the Corporation as a grant.

(f) The housing and related facilities will fulfill a pressing need in the area in which they are or will be located.

(g) The housing and facilities cannot be provided without the aid of a grant in the amount stated above:

7-30-07 1,389,865

$4,800.00/unit

THEREFORE BE IT RESOLVED:

1 Application for Loan and Grant. The Corporation shall apply to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called "the Government") for a loan of $2,453,250 and a grant of $3,569,150, pursuant to Title V of the Housing Act of 1949. Such loan may be insured by the Government. The loan and the grant shall be used only for the specific eligible purposes approved by the Government, in order to provide low-rent housing and related facilities for low-income domestic farm labor. Such housing and facilities and the land constituting the site may be referred to herein as the "housing."

2 Execution of Loan and Grant Instruments. To evidence the loan the Corporation shall issue a promissory note (herein referred to as "the Note"), signed by its President and attested by its Secretary, with its corporate seal affixed thereto, for the amount of the loan, payable in installments over a period of 33 years, bearing interest at a rate not to exceed 1% percent per annum, and containing other terms and conditions prescribed by the Government. To evidence the obligations of the grant, the Corporation shall execute an instrument in the form attached hereto entitled "Labor Housing Grant Agreement" and referred to herein as the "Grant Agreement," evidencing terms and conditions upon which the grant is made by the Government and the obligations of the Corporation with respect thereto. To secure the note and/or all other obligations and agreements of the Corporation with respect to the loan and the grant, as required by the Government, the President and the Secretary are hereby authorized to execute a security instrument giving a lien upon or security interest in the housing and such other property as the Government shall require, including an assignment of or security interest in the rents and profits as collateral security to be enforceable in the event of any default by the Corporation. The President and the Secretary are further authorized to execute any other security and other instruments, agreements, and documents required by the Government for the loan or grant. The indebtedness and other obligations of the Corporation under the note, Grant Agreement, this resolution, the security instrument, and any other instruments and agreements related to the loan or grant are herein called the "loan and grant obligations."

3 Equal Employment Opportunity under Construction Contracts and Nondiscrimination in the Use of Occupancy and Housing and in Any Other Benefits of the Loan or Grant. The President and the Secretary are hereby authorized and directed to execute on behalf of the Corporation (a) any undertakings and agreements

required by the Government regarding nondiscrimination in the use and occupancy of housing, (b) Farmers Home Administration Form FmHA 400-1, "Equal Opportunity Agreement," involving an Equal Opportunity Clause to be incorporated in or attached as a rider to each construction contract which exceeds $10,000 in amount and is paid for in whole or in part with loan or grant funds, and (c) Farmers Home Administration Form FmHA 400-4, "Nondiscrimination Agreement (Under Title VI, Civil Rights Act of 1964)," a copy of which is attached hereto and made a part hereof.

4 Supervised Bank Account. The proceeds of the loan and grant and the amount of $ -0- to be contributed by the Corporation from its own funds and used for approved eligible purposes shall be deposited in a "supervised bank account" as required by the Government. 1/ Amounts in the supervised bank account exceeding $100,000 shall be secured by the financial institution in advance in accordance with U. S. Treasury Department Circular No. 176. As provided by the terms of the agreement creating the supervised bank account, all funds therein shall, until duly expended, collaterally secure the loan and grant obligations. Withdrawals from the supervised bank account by the Corporation shall be made only on checks signed by the Chairman of the Board or Executive Director of the Corporation and countersigned by the County Supervisor or other authorized official of the Farmers Home Administration, and only for the specific eligible purposes approved in writing by the Government. The Corporation's share of any liquidated damages or other monies paid by defaulting contractors of their sureties shall be deposited in the supervised bank account to assure completion of the project. When all approved items eligible for payment with loan or grant funds are paid in full, any balance remaining in the supervised bank account shall be treated as a refund of loan and grant funds in the same ratio as that between the amounts of the loan and grant, and the supervised bank account shall be closed. (Revised 7-6-81, SPECIAL PN.)

5 Accounts for Housing Operations and Loan Servicing. The Corporation shall establish on its books the following accounts, which shall be maintained so long as the loan or grant obligations continue: A General Fund Account, an Operation and Maintenance Account, a Debt Service Account, and a Reserve Account. Funds in said accounts shall be deposited in a bank or banks insured by the Federal Deposit Insurance Corporation, except for any portion invested in readily marketable obligations of the United States as authorized by section 9. The Treasurer of the Corporation shall execute a fidelity bond, with a surety company approved by the Government, in an amount not less than the estimated maximum amount of such funds to be held in said accounts at any one time. The United States of America shall be named as co-obligee, and the amount of the bond shall not be reduced without the prior written consent of the Government. The Corporation in its discretion may at any time establish and utilize additional accounts to handle any funds not covered by the provisions of this resolution.

1/ Only loan or grant funds, and borrower's funds to be used for an eligible loan or grant purpose, may be deposited in the supervised bank account.

6 General Fund Account. By the time the loan and grant are closed the Corporation shall from its own funds deposit in the General Fund Account the amount of $______________. All income and revenue from the housing shall upon receipt be immediately deposited in the General Fund Account. The Corporation may also in its discretion at any time deposit therein other funds, not otherwise provided for by this resolution, to be used for any of the purposes authorized in section 7, 8, or 9. Funds in the General Fund Account shall be used only as authorized in said sections and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

7 Operation and Maintenance Account. Not later than the 15th of each month, out of the General Fund Account shall be transferred to the Operation and Maintenance Account, sufficient amounts to enable the Corporation to pay from the Operation and Maintenance Account the actual, reasonable, and necessary current expenses, for the current month and the ensuing month, of operating and maintaining the housing not otherwise provided for. Current expenses may include, in addition to expenses occurring or becoming due monthly, monthly accumulations of proportionate amounts for the payment of items which may become due either annually or at irregular intervals, such as taxes and insurance and normal repair and replacement of furnishings and equipment reasonably necessary for operation of the housing. Current expenses may also include initial purchase and installation of such furnishings and equipment with any funds deposited in and transferred from the General Fund Account which are not proceeds of the loan and, unless the Government gives prior written consent, are not income or revenue from the housing.

8 Debt Service Account. Each month, immediately after the transfer to the Operation and Maintenance Account provided for in section 7, or after it is determined that no such transfer is called for, any balance remaining in the General Fund Account, or so much thereof as may be necessary, shall be transferred to the Debt Service Account until the amount in the Debt Service Account equals the amount of the next installment due on the loan. Funds in the Debt Service Account shall be used only for payments on the loan obligations while they continue and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

9 Reserve Account. (a) Immediately after each transfer to the Debt Service Account as provided in section 8, any balance in the General Fund Account shall be transferred to the Reserve Account. Funds in the Reserve Account may be used only as authorized in this resolution and until so used shall be held by the Corporation in trust as security for the loan and grant obligations. Transfers at a rate not less than $48,925____________ 2/ annually shall be made to the Reserve Account until the amount

2/ In most cases this figure should be one-tenth of the aggregate sum specified later in the sentence as the total amount of the Reserve Account.

in the Reserve Account reaches the sum of $489,250 3/ and shall be resumed at any time when necessary, because of disbursements from the Reserve Account, to restore it to said sum. Of such sum, at least 50 percent shall be maintained on a cash basis, referred to herein as the "cash reserve." After the cash reserve reaches the required 50 percent of said sum, all or any portion of the balance of said sum may, at the option of the Corporation, consist of an amount, referred to herein as the "prepayment reserve," by which the Corporation is "ahead of schedule" as defined in the regulations of the Farmers Home Administration. Funds in the cash reserve shall be deposited in a separate bank account or accounts insured by the Federal Deposit Insurance Corporation or invested in readily marketable obligations of the United States, the earnings on which shall accrue to the Reserve Account.

(b) With the prior consent of the Government, funds in the Reserve Account may be used by the Corporation - -

(1) To meet payments due on the loan obligations in the event the amount in the Debt Service Account is not sufficient for the purpose.

(2) To pay costs of repairs or replacements to the housing caused by catastrophe or long-range depreciation which are not current expenses under section 7.

(3) To make improvements or extensions to the housing.

(4) For other purposes desired by the Corporation which in the judgment of the Government likely will promote the loan or grant purposes without jeopardizing collectibility of the loan or impairing the adequacy of the security, or will strengthen the security, or will facilitate, improve, or maintain the orderly collectibility of the loan.

(c) Any amount in the Reserve Account which exceeds the sum specified in sub-section (a), and is not agreed between the Corporation and the Government to be used for purposes authorized in subsection (b) shall be applied promptly on the loan obligations.

10. Regulatory Covenants. So long as the loan or grant obligations continue, the Corporation shall - -

3/ The amount to be inserted will usually be about 10 percent of the value of the buildings and related facilities financed wholly or partially with the loan and grant.

(a) Impose and collect such fees, assessments, rents, and charges that the income of the Corporation will be sufficient at all times for operation and maintenance of the housing payments on the loan obligations, and maintenance of the accounts herein provided for.

(b) Maintain complete books and records relating to the Corporation's financial affairs, cause such books and records to be audited at the end of each fiscal year, promptly furnish the Government without request a copy of each audit report, and permit the Government to inspect such books and records at all reasonable times.

(c) If required or permitted by the Government, revise the accounts herein provided for, or establish new accounts, to cover handling and disposition of income from and payment of expenses attributable to the housing or to any other property securing the loan or grant obligations, and submit to the Government regular and special reports concerning the housing or the Corporation's financial affairs, including any information required by the Government regarding income of the occupants of the housing.

(d) Unless the Government gives prior consent - -

(1) Not use or permit use of the housing for any purpose other than as low-rent housing and related facilities for low-income domestic farm labor, as those terms are defined by the Government.

(2) Not enter into any contract or agreement for improvements or extensions to the housing or other property securing the loan or grant obligations.

(3) Not cause or permit voluntary dissolution of the Corporation, nor merge or consolidate with any other organization, nor transfer or encumber title to the housing or any part thereof or interest therein, by sale, mortgage, lease, or other conveyance or encumbrance, nor engage in any other new business, enterprise, or venture than operation of the housing.

(4) Not borrow any money, nor incur any liability aside from current expenses as defined in Section 7.

(e) Submit the following to the Government for prior review not less than ____45____ days before the effective dates:

(1) Annual budgets and operating plans.

(2) Statements of management policy and practice including eligibility criteria and implementing rules for occupancy of the housing.

(3) Proposed rents and charges and other terms of rental agreements for occupancy of the housing.

(4) Rates of compensation to officers and employees of the Corporation payable from or chargeable to any account provided for in this resolution.

(f) If required by the Government, modify and adjust any matters covered by clause (e) of this section.

(g) Comply with all its agreements and obligations in or under this resolution, the note, Grant Agreement, security instrument, and any related agreement executed by the Corporation in connection with the loan or grant.

(h) Not alter, amend, or repeal without the Government's consent this resolution or the bylaws or articles of incorporation of the Corporation, which shall constitute parts of the total contract between the Corporation and the Government relating to the loan and grant obligations.

(i) Do other things as may be required by the Government in connection with the operation of the housing, or with any of the Corporation's operations or affairs which may affect the housing, the loan or grant obligations, or the security.

11 Refinancing of Loan. If at any time it appears to the Government that the Corporation is able to obtain a loan upon reasonable terms and conditions to refinance the loan obligations then outstanding, upon request from the Government, the Corporation will apply for, take all necessary actions to obtain, and accept such refinancing loan and will use the proceeds for said purpose.

12 General Provisions.

(a) It is understood and agreed by the Corporation that any loan or grant will be administered subject to the limitations of the authorizing act of Congress and related regulations, and that any rights granted to the Government herein or elsewhere may be exercised by it in its sole discretion to carry out the purposes of the loan and grant, enforce such limitations, and protect the Government's financial interest in the loan and grant and the security.

(b) The provisions of this resolution are representations of the Corporation to induce the Government to make or insure a loan or make a grant to the Corporation as aforesaid. If the Corporation should fail to comply with or perform any of its loan or grant obligations, such failure shall constitute default as fully as default in payment of amounts due on the loan obligations. In the event of default, the Government at its option may declare the entire amount of the loan and grant obligations immediately due and payable and, if such entire amount is not paid forthwith, may take possession of and operate the housing and proceed to foreclose its security and enforce all other available remedies.

(c) Upon request by the Government the corporation will permit representatives of the Government to inspect and make copies of any of the records of the corporation pertaining to the financial assistance. Such inspection and copying may be made during regular office hours of the corporation, or any other time the corporation and the Government finds convenient.

(d) Any provisions of this resolution may be waived by the Government in its sole discretion, or changed by agreement between the Government and the Corporation, after this resolution becomes contractually binding, to any extent such provisions could legally have been foregone, or agreed to in amended form, by the Government initially.

(e) Any notice, consent, approval, waiver, or agreement must be in writing.

(f) This resolution may be cited in the security instrument and elsewhere as the "Loan and Grant Resolution of MARCH 13, 1991."

(date of this resolution)

CERTIFICATE

The undersigned, VICTOR M. ALONZO, the Secretary of the corporation identified in the foregoing resolution, hereby certifies that the foregoing is a true copy of a resolution duly adopted by the board of directors on MARCH 13, 1991, which has not been altered, amended, or repealed.

March 13, 1991
(Date)

Victor M. Alonzo
(Secretary)

(SEAL)

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MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Action for a Waiver of Threshold Requirements for the Ysleta del Sur Pueblo Homes I Competitive Housing Tax Credit Application.

Requested Action

Approve, Amend or Deny the staff recommendation for the waivers of §50.9(h)(7)(D)(ii), §50.9(h)(7)(D)(iii)(I-III), §50.9(h)(8)(A)(i)(IIII) and §50.9(h)(8)(B) of the 2008 QAP.

Summary of Request

The applicant is requesting multiple waivers of threshold requirements in the 2008 Qualified Allocation Plan and Rules. These waiver requests include §50.9(h)(7)(D)(ii), Current Property Tax Valuation; §50.9(h)(7)(D)(iii)(I-III), Title Policy and Commitment; §50.9(h)(8)(A)(i)(IIII), Deadline for requesting Neighborhood Organization Information; and §50.9(h)(8)(B), Installation of Signage on the Property. The applicant asserts that as a sovereign nation, their development is unique and these threshold requirements should be waived.

1) §50.9(h)(7)(D)(ii), Current Property Tax Valuation requires the applicant to provide evidence of the current property tax valuation for the proposed development site. According to the applicant, the proposed site is located on Pueblo land that is designated as a sovereign nation and is not subject to local taxation. The Pueblo does not assess any property taxes for its own purposes.

2) §50.9(h)(7)(D)(iii)(I-III), Title Policy and Commitment requires submission of a current title policy or commitment of title. According to the applicant, the development will be located on Tribal Trust Land which is owned by the Tribe but held in "trust" by the federal government. Land in Trust cannot be bought and sold and the only method of establishing title is via a Title Status Report (TSR) from the U.S. Bureau of Indian Affairs. Receipt of a TSR is an accepted method with other state housing agencies. Obtaining a TSR can take several months. The applicant has submitted an attorney opinion in place of the TSR.

3) §50.9(h)(8)(A)(i)(I-III), Certification of Notification requires the certification to the request of neighborhood information from the local governing official. The applicant states that the Pueblo would be the sole entity to notify or request information from and the Governor of the Pueblo certifies that there are no neighborhood organizations to notify. The applicant requests the Board to not only waive this notification requirement but also to award the application the full twenty-four points for Quantifiable Community Participation (QCP) or allow them to receive six points for the support other than QCP.

4) §50.9(h)(8)(B), Signage on the Property. All applicants are required to install a 4X8 sign on the proposed development site that gives pertinent information about the development and any public hearings to be conducted for the development. This section also requires the sign be placed within 20 feet of the main roadway of the property. Because of an irrigation canal along the property line, the sign had to be located more than 20 feet from the roadway. The applicant is requesting the Board's approval of the location of the sign.

Recommendation

Understanding the limitations on Pueblo land, staff recommends that the Board approve the waiver requests for one and four. Staff recommends the Board deny the waiver requests two and three because the applicant did not attempt to get the information required for these threshold items. Waiving these requirements undermines the competitive nature of the Housing Tax Credit application process.

Ysleta Del Sur Pueblo
119 S. Old Pueblo Rd. • P.O. Box 17579 • El Paso, Texas 79917 • (915) 859-7913 • Fax # 859-2988

February 27, 2008

Housing Tax Credit Program
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

RE: Ysleta del Sur Pueblo Homes I

To Whom It May Concern:

We are very pleased to submit the enclosed application for Low-Income Housing Tax Credits for our Ysleta del Sur Pueblo Homes I project. We are quite proud of the project and feel confident that it will serve the interests of the State as much as it will serve the interests of the Ysleta del Sur Pueblo. Historically, Indian Reservations have the lowest incomes in the United States as a group, and in the aggregate they have the worst housing conditions in the country. Our housing project can set the stage for a far better understanding of the role leverage can play in tribal housing development, which will lead to a lessening of the housing crisis in Indian Country.

The Ysleta del Sur Pueblo is a federally recognized Indian Tribe, which has a tax-exempt status equivalent to 501(c)(3) or 501(c)(4) of the Internal Revenue Code. The Pueblo has over 35 years of experience developing and managing affordable housing and will perform the primary function of the project's owner, developer, and manager; however, because of our limited tax credit experience, we have surrounded ourselves with a very experienced and capable project consultant, compliance consultant, tax credit attorney, and tax credit syndicator.

It is vitally important that the Texas Department of Housing and Community Affairs understand that housing in Indian Country is subject to rules and laws that no other non-Indian groups, non-profit corporations, or governing bodies are subject to. In particular, any housing project that utilizes Native American Housing Assistance and Self-Determination Act (NAHASDA) funds must limit the effective rent to the families occupying the units to a maximum of 30% of that household's income. As such our projects have considerably higher thresholds for compliance, serve profoundly lower income households, and ensure that no one, even those under the statutory income limits for the tax credit program, will pay more than 30% of their income in rent. As you know, this is not true for most other tax credit-financed housing in the country.

While this project has many characteristics that set it apart, none is more significant than the financing structure. The Pueblo is providing the debt for this project and has agreed that the debt is "soft", that is, debt service payments payable only from available cash flow. In other words, while the debt is bona fide debt, the revenues generated from operations can be exclusively applied, if necessary, to the operations of the project. This provides an unheard of level of operational stability. Nonetheless, the Pueblo has gone further. It has agreed to pay a subsidy, on an as needed basis to cover any operating shortfalls (the Housing Assistance Payments Agreement). Again, this provides an unparalleled level of financial stability for the project. Our consultants have employed this type of subsidy in at least 100 other Indian Country projects and have found them to be ideal stabilizing forces.

Enclosed with our application is a letter directed to the Governing Board of TDHCA requesting several waivers to the rules presented in the 2008 QAP. We respectfully request that the Board review this letter and waive, given their authority in § 50.22 of the QAP, certain rules which are not applicable to our project given the nature of our application.

We hope that you can appreciate how important this project is to the community. We want to provide a safe and affordable place for our constituents to live. The funding provided through the Housing Tax Credit program will allow us to reach and serve far more people than we could otherwise reach. Thank you for your consideration of this application and our request. We stand ready to answer any questions you may have regarding this application and our intentions.

Sincerely,

Frank Paiz
Governor

Ysleta Del Sur Pueblo
119 S. Old Pueblo Rd. • P.O. Box 17579 • El Paso, Texas 79917 • (915) 859-7913 • Fax # 859-2988

February 27, 2008

Governing Board Members of the Department
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

RE: Ysleta del Sur Pueblo Homes I HTC Application
Waiver Requests

Dear Board Members:

As the Governor of the Ysleta del Sur Pueblo, the Developer of the Ysleta del Sur Pueblo Homes I HTC project and General Partner of the Ysleta del Sur Pueblo limited Partnership #1, I respectfully submit this letter requesting the following waivers of the Department's Rules identified in the 2008 QAP. Our project is unlike any project that TDHCA has received in the past. To my knowledge our HTC application is the first to be submitted located within the boundaries of a Native American reservation and fully sponsored by a Federally Recognized Indian Tribe. By acknowledging the Ysleta del Sur Pueblo as a Federally Recognized Indian Tribe, the United States Government recognizes our Pueblo as a sovereign nation separate from the City of Socorro, the County of El Paso and the state of Texas. Given the unique location and nature of our project, we request the Board provide waivers on the following:

§ 50.9(h)(7)(D)(ii) – County and Property Taxes
As a threshold requirement, the QAP indicates that the applicant should provide "*a current valuation report from the county tax appraisal district and documentation of the current total property tax rate for the development site*".

As described above, the proposed project is located within the boundaries of the reservation and therefore, given the Pueblo's status as a sovereign nation, is not subject to county taxes. Also, the Pueblo does not assess any property taxes for its own purposes.

In lieu of the information that TDHCA requests, we have submitted a letter from the Tribal Government indicating that there are no county taxes or property taxes assessed, a Tribal Resolution affirming that there are no county or property taxes, and an attorney's opinion that county and property taxes are not applicable. I request that the Board accept the documentation presented in our application and request that the Board waive the requirement for providing a current valuation report from the county tax appraisal district and documentation of the current property tax rate.

§ 50.9(h)(7)(D)(iii)(I)-(III) – Title Policy/Commitment

Similar to the waiver request for the county and property taxes, the location of our project on the reservation prevents us from providing the specific documents identified in the QAP. Our project is located on Tribal Trust Land. Trust Land is land owned by the Tribe but held in "trust" by the federal government. Unlike Fee Land that can be bought and sold at will, Trust Land cannot be sold or mortgaged. It can, however, be leased for relatively long periods, which is how the proposed project will be structured; the Ysleta del Sur Pueblo will lease the land to the Ysleta del Sur Pueblo Limited Partnership #1. Also, unlike Fee Land, the Tribe cannot obtain a Title Policy or Title Commitment on Trust Land. The only method of establishing title on Trust Land is via a Title Status Report (TSR) issued by the US Bureau of Indian Affairs (BIA). Receipt of a TSR is the accepted mechanism by which other States and tax credit investors (for example, Raymond James Tax Credit Funds – the investor supporting Ysleta del Sur Pueblo's project) verify title.

Obtaining current TSRs from the BIA is an arduous process that can take several months at best and sometimes up to a year. In order for the Pueblo to meet TDHCA's threshold requirement for this section, we have submitted in our application an attorney's opinion stating that the Pueblo has sole ownership of the development site and confirming that there are no prior encumbrances, zoning or other restrictions on the site which would prevent the operation of the proposed project. The opinion also provides evidence of the subject property being taken into trust by conveyance to the United States of America on March 22, 2000. I request that the Board accept the documentation provided as evidence of Title and waive the requirement for a title policy or title commitment.

§ 50.9(h)(8)(A)(i)(I)-(III) – Neighborhood Organizations

The QAP states that no later than January 15, 2008 that the applicant must request from local officials (city or county) a list of Neighborhood Organizations on record with the county whose boundaries include the proposed Development Site. The QAP defines Neighborhood Organizations as "*an organization that is composed of persons living near one another within the organization's defined boundaries for the neighborhood and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. A neighborhood organization includes a homeowner's association or a property owners' association.*"

As our project will be located on Tribal Trust Land within the boundaries of the reservation, the sole entity which would serve as the project's Neighborhood Organization would be the Ysleta del Sur Pueblo itself. As a sovereign nation separate from the City of Socorro, the County of El Paso and the state of Texas, neither the city nor the county have jurisdiction on the reservation. Therefore there is no entity, other than the Pueblo itself, which would maintain a list of Neighborhood Organizations, and as the Pueblo's Governor, I can certify that no list exists nor would such a list be applicable for our community.

Inasmuch as the Pueblo is the applicant for the HTC application, as well as the local governmental entity to be notified by TDHCA's January 15[th] deadline, I request that the Board waive the deadline for notifying ourselves and acknowledge that a Neighborhood Organizations list is not applicable to our circumstance as a governmental sovereign nation. In conjunction with this waiver request, I request that the Board award our application the full 24 points for Quantifiable Community Support as the Ysleta del Sur Pueblo fully supports the project. If the Board does not allow our application to receive the full 24 points, then I request that our application receive +12 points and be eligible to claim up to 6 points for demonstration of community support other than quantifiable community participation (§ 50.9(i)(18)). This level of scoring is equated to those applications for which no letters from Neighborhood Organizations are received

§ 50.9(h)(8)(B) – Signage on Property
To the best of our ability, we have installed a Public Notification Sign on the development site according to the rules outlined in the QAP. Evidence of the sign, which was erected on site February 21, 2008, has been included in our application. The location of the sign is facing the closest main road adjacent to the site, however, due to an irrigation canal and margins on each side that belong to the El Paso Water Reclamation District, the sign had to be installed outside of the 20 feet range. I request that the Board waive the requirement for the sign to be located within 20 feet and accept the current placement of the sign as it is as close as the site boundaries permit.

The Pueblo and members of our community are extremely excited about the opportunity that this funding application has presented us. We look forward to TDHCA's review of our application and potential for starting on this project upon notice of receipt of credits. If you have any questions, please contact me. Thank you for your attention to our request.

Sincerely,

Frank Paiz
Governor

Bryan Schuler

From: Audrey Martin [audrey.martin@tdhca.state.tx.us]

Sent: Thursday, February 21, 2008 10:07 AM

To: Bryan Schuler

Cc: Kevin Hamby; Tom Gouris; Robbye Meyer; Patricia Murphy; ajoseph@ydsp-nsn.gov; development; James.Horvick.RaymondJames.com

Subject: RE: TDHCA - Questions Regarding the QAP in Relation to a Proposed Project

Mr. Schuler,

The Department has evaluated your memo dated February 4, 2008, and offers the following responses to your specific questions, as well as general guidance regarding the proposed application.

The Department has not located an exception that an application for a development proposed to specifically target members of a federally recognized tribe does not violate the General Public Use provision pursuant to Treasury Regulation §1.42-9. We appreciate and concur that Title VI of the Civil Rights Act of 1964 and the Fair Housing Act do not apply to federally recognized tribes. That fact, however, is a matter separate from the General Public Use provision located in the Treasury Regulations. The Department will require that the applicant seek guidance from the IRS, via a private letter ruling or other written determination, confirming that a development intended for the sole occupancy of members a federally recognized tribe does not violate the General Public Use provision. Should you decide to submit the application, the Department will require this confirmation from the IRS prior to recommending an award of credits.

The rest of the provided guidance assumes that a private letter ruling or some other written determination from the IRS is secured confirming that the General Public Use provision has not been violated. I have provided a summary of the question asked in the memo, followed by the Department's answer.

§50.9(h)(4)(A) - Threshold Amenities
Question: Whether existing common amenities at the Tribal Recreation Center may be used to meet the threshold requirement for amenities.
Answer: Most likely, the answer is no, if the amenities are available to the entire tribe rather than only to residents of the development. However, we would require additional information regarding the ownership structure of the applicant and the facility that contains the amenities in order to make a final determination.

§50.9(h)(7)(D)(ii) - County and Property Taxes
Question: Tribal land isn't subject to county taxes, nor does the tribe impose taxes. May a certification from the Tribal Government or an attorney opinion letter be submitted in lieu of the tax assessment documentation required by the QAP?
Answer: Staff believes that the proposed alternative documentation is an acceptable alternative, based on the facts presented. However, because the rules are clear on this subject, the applicant would need to request a waiver of Department rule, which may only be approved by the Department's Governing Board; therefore while staff does not see a conflict here, only the Board may grant a waiver on the QAP requirements.

§50.9(h)(7)(D)(iii)(I)-(III) - Title Policy/Commitment
Question: Because of the nature of ownership of tribal land, a typical title commitment or policy cannot be obtained for the property. May alternative documentation, as outlined in the memo, be provided to meet this requirement?
Answer: See the answer to County and Property taxes above.

§50.9(h)(8)(A)(i)-(ii) - Neighborhood Organizations
Question: Regarding possible exemption from notification requirement to certain groups.
Answer: Applicant must notify the tribal equivalent of the officials and groups required to be notified pursuant to the QAP. The application should include a narrative to explain the equivalency, or lack thereof. The exception to the notification requirement is if there is an identity of interest and the party or parties required to be notified are part of the proposed ownership structure of the applicant; in that case, the applicant is not required to notify itself. This relationship must be clear in the application if this is the case.

§50.9(i)(1)(A)(iii) - Minimum 1.15 debt coverage ratio
Question: May the 1.15 DCR be waived for the purpose of Financial Feasibility Points?
Answer: No. The 1.15 DCR is a requirement for points under this section of the QAP. If the development does not meet all requirements, including the DCR, it does not qualify for these points.

§50.9(i)(2)(B) - Scoring Neighborhood Organizations
Question: May the tribe automatically receive maximum points under this scoring item?
Answer: No. If there is no group that meets the definition of Neighborhood Organization, an application may not be awarded 24 points under §50.9(i)(2) following Texas Government Code §2306.6710(b)(1)(B) and Attorney General Opinion No. GA-0497. Any group that meets the definition, however, may be eligible for points if all other requirements of §50.9(i)(2) are met.

§50.9(i)(8) - The Cost of the Development by Square Foot
Question: Which square footage limit applies to duplex developments?
Answer: The higher limit available for single family construction does not apply to duplexes unless the development falls into one of the other groups eligible for the higher limit.

§50.9(i)(15)(B)-(C) - Economic Development Initiatives
Question: Does the application qualify for points based on its address in Socorro, since Socorro is listed as having received an award through the Microloan Program?
Answer: The Department cannot evaluate this without additional information. The Department's Information for Eligible Funding Sources Pursuant to §50.9(i)(15)(B) of the 2008 QAP document does not give a list of places that are eligible for points, but rather lists places where awards under qualifying programs have been made. The distinction is important because in order to be eligible for points under §50.9(i)(15)(B) of the QAP, the development must be located in the area in which the specific award must be used, which may be a smaller or larger area than the city that is listed in the document. The appearance of a city on the Department's Information for Eligible Funding Sources Pursuant to §50.9(i)(15)(B) of the 2008 QAP document is not enough to qualify any particular development for points. The development must meet all requirements of §50.9(i)(15) to be eligible for points, including that the development must be located in the area in which the specific award must be used. It is the responsibility of the applicant to find out what that "area" is (likely by contacting the funding entity). Therefore, the appearance of Socorro on the Department's list does not imply that a development with a Socorro mailing address qualifies for points.

§50.9(i)(19) - Developments in Census Tracts with No Other Existing Same Type Developments Supported by Tax Credits
Question: Since there have been no tax credit developments on the reservation, may the application qualify for these points?
Answer: This scoring item is evaluated based on census tract. Therefore, the application may only be eligible for points if the census tract has no other tax credit developments that serve the same population. No area other than the census tract may be used to evaluate a development for these points.

§ 50.9(i)(21) - Length of Affordability Period
§ 50.9(i)(26) - Developments Intended for Tenant Ownership
Question: Can a development qualify for points under both of these scoring items?
Answer: Yes.

If you still would like to have a conference call, we can still coordinate schedules to make that work. However, we would like to limit the call to gathering additional information on your proposed development, and the ways in which similar / equal developments have been accomplished in other states.

Thank you,

Audrey M. Martin
Competitive HTC Program Administrator
Texas Department of Housing and Community Affairs
Ph: (512) 475-3872
Fax: (512) 475-0764
audrey.martin@tdhca.state.tx.us

Robbye Meyer

From: Audrey Martin [audrey.martin@tdhca.state.tx.us]
Sent: Tuesday, February 19, 2008 12:08 PM
To: Robbye Meyer; Tom Gouris; Patricia Murphy
Subject: RE: TDHCA - Questions Regarding the QAP in Relation to a Proposed Project
Importance: High

Tom, Robbye, and Patricia,

Here is my proposed response to Mr. Bryan Schuler at Travois, Inc. regarding the Ysleta del Sur Pueblo tribe, per our meeting last Thursday. Let me know if you think I missed anything. Thanks.

Audrey

Mr. Schuler,

The Department has evaluated your memo dated February 4, 2008, and offers the following responses to your specific questions, as well as general guidance regarding the proposed application.

The Department has determined that an application for a development proposed to specifically target members of a federally recognized tribe may violate the General Public Use provision pursuant to Treasury Regulation §1.42-9. The fact that Title VI of the Civil Rights Act of 1964 and the Fair Housing Act do not apply to federally recognized tribes is a matter separate from the General Public Use provision. Because of this, the Department will require that the applicant seek guidance from the IRS, via a private letter ruling, confirming that a development intended for the sole occupancy of members a federally recognized tribe does not violate the General Public Use provision. You are permitted to submit the application; however the Department will require this confirmation from the IRS.

The rest of the provided guidance assumes that a private letter ruling is secured confirming that the General Public Use provision has not been violated. I have provided a summary of the question asked in the memo, followed by the Department's answer.

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Answer: Staff feels that the proposed alternative documentation is an acceptable alternative, based on the facts presented. However, this would require a waiver of Department rule, which must be approved by the Department's Governing Board; therefore, the Board will ultimately make a decision on a waiver.

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Question: Because of the nature of ownership of tribal land, a typical title commitment or policy cannot be obtained for the property. May alternative documentation, as outlined in the memo, be provided to meet this requirement?
Answer: Again, staff feels that the proposed alternative documentation is an acceptable alternative, based on the facts presented. However, this would require a waiver of Department rule, which must be approved by the Department's Governing Board; therefore, the Board will ultimately make a decision on a waiver.

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Thank you,

Audrey M. Martin
Competitive HTC Program Administrator
Texas Department of Housing and Community Affairs

Ph: (512) 475-3872
Fax: (512) 475-0764
audrey.martin@tdhca.state.tx.us

-----Original Message-----
From: Bryan Schuler [mailto:bschuler@travois.com]
Sent: Tuesday, February 05, 2008 1:41 PM
To: Audrey Martin
Cc: ajoseph@ydsp-nsn.gov; development; James.Horvick.RaymondJames.com
Subject: TDHCA - Questions Regarding the QAP in Relation to a Proposed Project
Importance: High

Audrey,

As stated in our e-mails from last week, I am providing you with a list of questions that Travois, Raymond James Tax Credit Funds, and our client, the Ysleta del Sur Pueblo, have regarding the Pueblo's proposed tax credit project and how the project will relate to TDHCA's QAP regulations.

Also, as a follow-up to your response regarding duplexes being classified as multi-family units, the Ysleta del Sur Pueblo will be updating their unit configurations to make their proposal an 'eligible' project. Thank you for clarifying those rules.

We look forward to being able to schedule a conference call to discuss the attached memo. It would be best if we could have this call as soon as possible as we are progressing with preparing the application due at the end of the month.

Please let me know the earliest time that you would be available to join a call.

Thank you,
Bryan

Bryan C. Schuler
Travois, Inc.
560 Hillwell Road
Chesapeake, VA 23322
Phone: 757-410-5364
Fax: 757-410-5438
Cell: 757-618-4427

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Issuance of a list of Approved Applications (as of June 19) for Housing Tax Credits ("HTC") in accordance with §2306.6724(e) of Texas Government Code.

Requested Action

Issue a list of Approved Applications (as of June 19) for Housing Tax Credits ("HTC") in accordance with §2306.6724(e) of Texas Government Code from the 2008 State Housing Credit Ceiling.

Background

The Texas Department of Housing and Community Affairs' (the "Department") Board is required by §2306.6724(e) of Texas Government Code to "review the recommendations of department staff regarding applications and shall issue a list of approved applications each year in accordance with the qualified allocation plan no later than June 30." Based on existing legal interpretation, attached hereto, this requirement is satisfied by staff recommending to the Board all existing approved applications, which include all active applications not currently withdrawn by the applicant or terminated by the Department. This statutory language does not require that the list approved by the Board during the June Board meeting be split into a preliminary determination of those applications that may be recommended for a commitment of housing tax credits. In July, as required by §2306.6724(f) of Texas Government Code, the Board "shall issue final commitments for allocations of housing tax credits each year in accordance with the qualified allocation plan not later than July 31." At the July 31, 2008 Board meeting the list approved by the Board will clearly identify those applications being recommended for a Commitment Notice.

There are two lists for Board approval of all current approved applications from which the July 31, 2008 awards of housing tax credits will be selected. There were 197 Pre-Applications submitted reflecting a total request for housing tax credits of $142,939,682, of which 52 applications, totaling $20,874,462 applied under the "At-Risk" and "USDA" set-asides.

Subsequently there were 112 full applications submitted with a total request for housing tax credits of $80,972,155, of which 25 applications, totaling $10,455,699 applied under the "At-Risk" and "USDA" set-asides.

At this time, seven (7) of those applications have been withdrawn by the applicant and four (4) have been terminated by the Department. Therefore, there are 101 approved applications currently competing for housing tax credits. **Not all of the 101 approved applications will receive a commitment of housing tax credits; the list merely reflects the pool from which awarded applications will be selected.** The lists attached include the current score for each active application as well as relevant application information. In addition to the 101 approved applications currently competing for housing tax credits, the attached lists include applications that received forward commitments by the Board in 2007 out of the 2008 State Housing Tax Credit Ceiling, and 2005 Developments that received additional credits out of 2008 State Housing Credit Ceiling pursuant to the Final Policy for Addressing Cost Increases for 2004 and 2005 Competitive Housing Tax Credit Developments. The Developments that received forward commitments and increased credits are included in the list and are indicated by an "A" in the column titled "Status" as they have already received an award from the 2008 cycle. The approved applications to be considered by the Board for an award at the July 31, 2008 meeting are indicated by a "P" in the "Status" column excluding the applications that have TERM or WITH indicated in the "Notes" column on the right of the report.

At this time, not all applications have been reviewed for financial feasibility or compliance history; all applications are subject to those reviews. Through this review some applications may be found to be financially infeasible or ineligible based on compliance history, in which case they will be removed from the list of approved applications. Further, the credit amount reflected on this list is the requested credit amount and may change to reflect a recommended credit amount and/or may have conditions placed on the allocation at the time of the July 31, 2008 commitments. In addition to applications that may be removed from the list for issues of financial feasibility, applications may also be added to or removed from the list of approved applications by the Executive Director as determinations are made on appeals.

Staff Recommendation

Staff recommends that the Board issue the attached recommended list of approved applications for 2008 Housing Tax Credits pursuant to §2306.6724(e).

Presentation, Discussion and Issuance of a List of Approved Applications
2008 Competitive HTC At-Risk Set-Aside Applications Sorted by Awarded Score as of June 26, 2008
(Pending Appeals and Challenges)

Estimated State Ceiling to be Allocated: $7,205,380

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	AR	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08078	5	A	Joaquin Apartments	Rt. 1, Box 141, Hwy 84	Joaquin	Rural	☑	☐	☐	31	32	G	RH	☑	$3,233	Murray Calhoun	☐	300.0	BA
08072	8	A	Clifton Manor Apartments I and II	610 S. Ave. F; 115 S. Ave. P	Clifton	Rural	☑	☐	☑	40	40	G	RH	☑	$630	Louis Williams	☐	300.0	BA
08074	8	A	Hamilton Manor Apartments	702 S. College St.	Hamilton	Rural	☑	☐	☑	18	18	G	RH	☑	$1,395	Louis Williams	☐	300.0	BA
08037	9	A	Vista Verde I & II Apartments	810 & 910 N. Frio	San Antonio	Urban	☐	☑	☑	190	190	G	RH	☑	$63,584	Ronald C. Anderson	☐	300.0	BA
08052	10	A	Hampton Port Apartments	6130 Wooldridge Rd.	Corpus Christi	Urban	☐	☑	☑	110	110	G	RH	☑	$36,404	Richard Franco	☐	300.0	BA
08029	11	A	San Juan Village	400 N. Iowa	San Juan	Urban	☐	☐	☑	86	86	G	RH	☑	$11,366	Betty Morris	☐	300.0	BA
08023	11	A	Alamo Village	504 N. 9th St.	Alamo	Urban	☐	☐	☑	56	56	G	RH	☑	$8,969	Betty Morris	☐	300.0	BA
08021	11	A	Santa Rosa Village	FM 506 at Colorado	Santa Rosa	Rural	☐	☐	☑	53	53	G	RH	☑	$6,966	Betty Morris	☐	300.0	BA
08035	12	A	Country Village Apartments	2401 N. Lillie St.	San Angelo	Urban	☐	☐	☑	160	160	G	RH	☑	$33,850	Doug Gurkin	☐	300.0	BA
08003	12	A	Oasis Apartments	1501 N. Marshall Rd.	Fort Stockton	Rural	☑	☐	☑	56	56	G	RH	☑	$1,946	Gary L. Kersch	☐	300.0	BA
08001	13	A	Mountainview Apartments	801 N. Orange Rd.	Alpine	Rural	☑	☐	☑	56	56	G	RH	☑	$2,010	Gary L. Kersch	☐	300.0	BA
08002	13	A	Villa Apartments	1901 Golf Course Rd.	Marfa	Rural	☑	☐	☑	24	24	G	RH	☑	$1,143	Gary L. Kersch	☐	300.0	BA
									Total:	**880**	**881**				**$171,496**				
08147	11	P	Northside Apartments	1800 N. Texas Blvd.	Weslaco	Urban	☑	☑	☐	289	289	G	RH	☑	$979,901	David Marquez	☐	211.0*	APP
08150	9	P	Oak Manor/Oak Village Apartments	2330/2334 Austin Hwy	San Antonio	Urban	☐	☑	☑	229	229	G	RH	☑	$1,200,000	Gilbert M. Piette	☐	206.0	REA
08149	10	P	American GI Forum Village I & II	1801 Bosquez St., Box 81	Robstown	Rural	☐	☑	☑	76	76	G	RH	☑	$735,000	Walter Martinez	☑	202.0	REA
08201	5	P	First Huntington Arms	415 N. Hwy 69	Huntington	Rural	☑	☐	☑	40	40	G	RH	☑	$377,813	Louis Williams	☑	201.0	REA
08298	3	P	Residences on Stalcup	3828 Stalcup	Fort Worth	Urban	☐	☐	☑	92	92	G	RH	☑	$795,604	Dan Allgeier	☐	199.0	REA
08195	6	P	Chateau Village Apartments	3815 Fuqua St. W.	Houston	Urban	☐	☐	☑	150	150	G	RH	☑	$1,174,583	Mark S. Moorhouse	☐	197.0	REA
08220	4	P	Northview Apartments	331 N. Longview St.	Kilgore	Rural	☑	☐	☑	72	72	I	RH	☑	$246,550	James W. Fieser	☑	190.0	REA

1 = Status of Award Abbreviation: Development Previously Awarded 2008 Housing Tax Credits=A, Pending/ Non-Awarded Applications=P.
2 = Allocation: Rural Regional Allocation or Urban Regional Allocation.
3 = Set-Aside Abbreviations: TRDO-USDA=USDA, Nonprofit=NP, At-Risk=AR.
4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
7 = Notes: 2007 Applications Awarded from the 2008 Ceiling=FWD, 2005 Developments Awarded Binding Agreements from the 2008 Ceiling=BA, Pending Applications=PA, Terminated Applications=TERM, Withdrawn Applications=WITH, Under Appeal=APP, Pending /Active Applications being reviewed by Real Estate Analysis however does not imply a staff recommendation=REA.
* = Score is requested score because application is under appeal.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	AR	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08260	6	P	Harris Manor Apartments	2216 E. Harris Rd.	Pasadena	Urban	☐	☐	☑	193	201	G	RH	☑	$725,011	Daniel Betsalel	☐	190.0	REA
08128	6	P	Mid-Towne Apartments	820 E. Carrell St.	Tomball	Rural	☑	☐	☑	54	54	G	RH	☑	$281,188	Dennis Hoover	☐	190.0	REA
08215	3	P	Quail Run Apartments	1906 S. College Ave.	Decatur	Rural	☑	☐	☑	40	40	G	RH	☑	$137,531	James W. Fieser	☑	189.0	REA
08130	9	P	Jourdanton Square Apartments	2701 Zanderson	Jourdanton	Rural	☑	☐	☑	52	52	G	RH	☑	$223,173	Dennis Hoover	☑	188.0	REA
08106	6	P	Brookhollow Manor	3444 Depot St.	Brookshire	Rural	☑	☐	☐	48	48	G	RH	☑	$209,726	James W. Fieser	☑	186.0	REA
08213	2	P	Stamford Place Apartments	900 S. Orient	Stamford	Rural	☑	☐	☑	40	40	G	RH	☑	$166,517	James W. Fieser	☑	184.0	REA
08216	3	P	Chisum Trail Apartments	1100 Austin	Sanger	Rural	☑	☐	☑	40	40	G	RH	☑	$133,940	James W. Fieser	☑	184.0	REA
08129	7	P	Alta Vista Apartments	1001 Pecan Valley Dr.	Marble Falls	Rural	☑	☐	☑	64	64	G	RH	☑	$312,199	Dennis Hoover	☐	180.0	REA
08182	13	P	Suncrest Apartments	611 Rubin Dr.	El Paso	Urban	☐	☐	☑	100	100	G	RH	☑	$392,669	Kevin Ruf	☐	172.0	REA
08297	3	P	St. Charles Place	1408 Longhorn Tr.	Crowley	Rural	☑	☐	☑	52	52	G	RH	☑	$225,835	Patrick A. Barbolla	☑	169.5	REA
08226	8	P	Whispering Oaks Apartments	1209 W. 8th St.	Goldthwaite	Rural	☑	☐	☑	24	24	E	RH	☑	$140,410	Patrick A. Barbolla	☑	163.0	REA
08121	8	P	Cherrywood Apartments	1301 I-35 S.	West	Rural	☑	☐	☐	20	20	E	RH	☑	$110,304	Gary Maddock	☑	157.0	REA
08296	8	P	Prairie Village Apartments	611 Paul St.	Rogers	Rural	☑	☐	☑	24	24	G	RH	☑	$106,422	Patrick A. Barbolla	☑	152.0	REA
08120	8	P	Applewood Apartments, LP	701 Tokio Rd.	West	Rural	☑	☐	☐	24	24	E	RH	☑	$127,059	Gary Maddock	☑	152.0	REA
08225	2	P	Oakwood Apartments	3501 Rhodes Rd.	Brownwood	Rural	☑	☐	☑	48	48	G	RH	☑	$234,400	Patrick A. Barbolla	☑	0.0	TERM
08206	3	P	Lincoln Terrace	4714 Horne St.	Fort Worth	Urban	☐	☐	☑	72	72	G	RH	☑	$663,595	Barbara Holston	☐	0.0	TERM
08119	6	P	Courtwood Apartments	400 South Austin Rd.	Eagle Lake	Rural	☑	☐	☑	50	50	E	RH	☑	$273,517	Gary Maddock	☐	0.0	WITH
08118	6	P	Gardenwood Apartments	102 N. Purvis St.	Magnolia	Rural	☑	☐	☑	36	36	G	RH	☑	$275,455	Gary Maddock	☑	0.0	WITH
									Total:	1,929	1,937				$10,248,402				
	37		Total Applications	Sum of Awarded Credits: $171,496	Sum of Pending Credits: $10,248,402					2,809	2,818				$10,419,898				

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Presentation, Discussion and Issuance of a List of Approved Applications
2008 Competitive HTC Regional Applications Sorted by Region as of June 26, 2008
(Pending Appeals and Challenges)

Estimated State Ceiling to be Allocated: $40,830,489

Region: 1

Allocation Information for Region 1: Total Credits Available for Region: $1,785,570 | Urban Allocation: $1,159,036 | Rural Allocation: $626,533

File #	Region Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
Applications Submitted in Region 1:		**Urban**															
08038	1 A	TownParc at Amarillo	Woodward Ave. & Kirkland Dr.	Amarillo	Urban			144	144	G	NC		$86,710	Christopher C. Finlay		300.0	BA
08031	1 A	Cathy's Pointe	2701 N. Grand St.	Amarillo	Urban			120	120	G	NC		$72,827	Donald Pace		300.0	BA
							Total:	**264**	**264**				**$159,537**				
08111	1 P	Lubbock 23rd Street Apartments	24th St. & I-27	Lubbock	Urban			95	96	G	NC		$868,904	Justin Zimmerman		0.0	WITH
							Total:	**95**	**96**				**$868,904**				
							Total:	**359**	**360**				**$1,028,441**				
Applications Submitted in Region 1:		**Rural**															
08091	1 A	StoneLeaf at Dalhart	1719 E. 1st St.	Dalhart	Rural			76	76	G	NC		$687,957	Mike Sugrue		301.0	FWD
08007	1 A	Central Place	402 W. 4th St.	Hereford	Rural			32	32	G	NC		$20,089	Christopher Paul Rhodes		300.0	BA
							Total:	**108**	**108**				**$708,046**				
08112	1 P	Cedar Street Apartments	N. Cedar St. N. of Hwy 380	Brownfield	Rural			48	48	G	NC		$441,361	Justin Zimmerman		136.0	PA
							Total:	**48**	**48**				**$441,361**				
							Total:	**156**	**156**				**$1,149,407**				
	6 Applications in Region						**Region Total:**	**515**	**516**				**$2,177,848**				

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Region: 2

Allocation Information for Region 2: **Total Credits Available for Region:** $944,606 **Urban Allocation:** $420,364 **Rural Allocation:** $524,242

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
Applications Submitted in Region 2:			**Urban**															
08042	2	A	Arbors at Rose Park	2702 S. 7th St.	Abilene	Urban			77	80	E	NC		$43,281	Diana McIver		300.0	BA
								Total:	**77**	**80**				**$43,281**				
08142	2	P	Anson Park Seniors	Ambrocio Flores Jr. Rd. & Vogel Ave.	Abilene	Urban			80	80	E	NC		$781,619	Theresa Martin-Holder		201.0	REA
08236	2	P	Green Briar Village Phase II	E. Side of SH 240, S. of Intersection of Airport Dr.	Wichita Falls	Urban			36	36	G	NC		$362,341	Randy Stevenson		177.0	REA
								Total:	**116**	**116**				**$1,143,960**				
								Total:	**193**	**196**				**$1,187,241**				
Applications Submitted in Region 2:			**Rural**															
08143	2	P	Villages at Snyder	1001 37th St.	Snyder	Rural			80	80	I	NC		$1,004,751	Tim Lang		194.0	PA
08139	2	P	Arizona Avenue Apartments	Intersection of NW. E. Arizona Ave. & I-20	Sweetwater	Rural			80	80	G	NC		$732,805	Leslie Clark		190.0	PA
								Total:	**160**	**160**				**$1,737,556**				
								Total:	**160**	**160**				**$1,737,556**				
5	**Applications in Region**							**Region Total:**	**353**	**356**				**$2,924,797**				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 3

Allocation Information for Region 3: **Total Credits Available for Region: $8,893,850** **Urban Allocation: $8,264,571** **Rural Allocation: $629,278**

Applications Submitted in Region 3: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08096	3	A	Villas on Raiford	Raiford Rd.	Carrollton	Urban	☐	☐	172	180	E	NC	☐	$734,466	Chan Il Pak	☐	301.0	FWD
08053	3	A	Lakeview Park	Hwy 91, S. of 1916 State Hwy 91	Denison	Urban	☐	☐	76	76	G	NC	☐	$41,622	Steve Rumsey	☐	300.0	BA
08004	3	A	Samuel's Place	SE. Corner of Samuel's Ave. & Poindexter St.	Fort Worth	Urban	☐	☐	36	36	G	NC	☐	$20,734	Barbara Holston	☐	300.0	BA
08036	3	A	Wahoo Frazier Townhomes	E. Side of Blks 4700-4900 Hatcher St.	Dallas	Urban	☐	☐	95	118	G	NC	☐	$63,797	Lester Nevels	☐	300.0	BA
08005	3	A	Cambridge Courts	8124 Calmont Ave.	Fort Worth	Urban	☐	☐	330	330	G	RH	☑	$105,777	Barbara Holston	☐	300.0	BA
08015	3	A	Cimarron Springs Apartments	SE. Corner of Kilpatrick & Donaho	Cleburne	Urban	☐	☐	149	156	G	NC	☐	$79,351	Ron Hance	☐	300.0	BA
08025	3	A	Sphinx at Luxar	3110 Cockrell Hill Rd.	Dallas	Urban	☐	☐	96	100	G	NC	☐	$60,091	Jay O. Oji	☐	300.0	BA
08027	3	A	Oak Timbers-Fort Worth South	300 E. Terrell Ave.	Fort Worth	Urban	☐	☑	160	168	E	NC	☐	$89,227	A. V. Mitchell	☐	300.0	BA
08030	3	A	Sphinx At Reese Court	1201 Ewing Ave.	Dallas	Urban	☐	☐	80	80	G	NC	☐	$50,175	Jay O. Oji	☐	300.0	BA
								Total:	**1,194**	**1,244**				**$1,245,240**				
08222	3	P	Evergreen at Vista Ridge	2600 Blk Highpoint Oaks Dr.	Lewisville	Urban	☐	☑	95	95	E	NC	☐	$800,000	Brad Forslund	☑	204.0	REA
08107	3	P	Oak Timbers - River Oaks	5705, 5709 & 5713 Meandering Rd.; 5706 Black Oak Ln.	River Oaks	Urban	☐	☐	96	96	E	NC	☐	$805,487	A. V. Mitchell	☐	203.0	REA
08223	3	P	Evergreen at The Colony	NW. Corner of SH 121 & Morning Star	The Colony	Urban	☐	☑	145	145	E	NC	☐	$1,200,000	Brad Forslund	☑	203.0	REA
08207	3	P	Carpenter's Point	3326 Mingo St.	Dallas	Urban	☐	☐	150	150	E	NC	☐	$1,200,000	George King, Jr.	☐	203.0	REA
08233	3	P	Heritage Park Vista	8500 Ray White Rd.	Fort Worth	Urban	☐	☐	135	140	E	NC	☐	$1,126,048	Dan Allgeier	☐	200.0	REA
08205	3	P	Wind River	8725 Calmont Ave.	Fort Worth	Urban	☐	☐	168	168	G	RH	☑	$1,188,738	Barbara Holston	☐	199.0	REA
08278	3	P	Vista Bella Ranch	1300 W. Taylor St.	Sherman	Urban	☐	☐	200	200	G	NC	☐	$950,000	Manish Verma	☐	197.0	PA

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08234	3	P	Central Park Senior Village	3101 S. Center St.	Arlington	Urban	☐	☐	140	140	E	NC	☐	$1,162,693	Randy Stevenson	☐	196.0	PA
08252	3	P	LifeNet-Supportive Housing SRO Community, L.P.	2731 Clarence; 3 Acres of Multiple Lots in 2700-2800 Blk Grand Ave. & Clarence	Dallas	Urban	☐	☑	125	125	G	NC	☐	$788,415	Liam Mulvaney	☐	191.0	PA
08193	3	P	Sphinx at Fiji Senior	201 Fran Way	Dallas	Urban	☐	☐	125	130	E	NC	☐	$1,200,000	Joseph Agumadu	☐	189.0	PA
08217	3	P	Merritt Homes	E. Side of N. Tennessee & W. White Ave.	McKinney	Urban	☐	☐	178	178	E	NC	☐	$1,200,000	Beth Bentley	☐	188.0	PA
08273	3	P	Four Seasons at Clear Creek	Oak Grove Shelby & S. Race St.	Fort Worth	Urban	☐	☐	92	96	G	NC	☐	$841,368	Susan Sheeran	☐	187.0	PA
08274	3	P	Casa Bella	3217 Beltline Rd.	Sunnyvale	Urban	☐	☐	138	144	E	NC	☐	$918,441	Manish Verma	☐	184.0	PA
08124	3	P	Mill Stone Apartments	8600 Randoll Mill Rd.	Fort Worth	Urban	☐	☐	144	144	G	NC	☐	$1,200,000	Bert Magill	☐	160.0	PA
								Total:	**1,931**	**1,951**				**$14,581,190**				
								Total:	**3,125**	**3,195**				**$15,826,430**				
Applications Submitted in Region 3:			**Rural**															
08058	3	A	Windvale Park	44th St. off W. Park Row	Corsicana	Rural	☐	☑	76	76	G	NC	☐	$46,255	Jason Bienski	☐	300.0	BA
08044	3	A	Spring Garden V	200 N. Spring Branch Tr.	Springtown	Rural	☐	☑	40	40	G	NC	☐	$24,869	A.G. Swan	☐	300.0	BA
								Total:	**116**	**116**				**$71,124**				
08184	3	P	Washington Hotel Lofts	2612 Washington St.	Greenville	Rural	☐	☐	36	36	G	ADR	☑	$423,489	Bill Scantland	☐	207.0	REA
08255	3	P	West Park Senior Housing	W. Park Row & 44th St.	Corsicana	Rural	☐	☐	48	48	E	NC	☐	$507,268	Emanuel H. Glockzin, Jr.	☑	205.0	REA
08264	3	P	Cambridge Crossing	Bragg Ave. & Cambridge St.	Corsicana	Rural	☐	☐	58	60	E	NC	☐	$578,144	Diana McIver	☑	205.0	PA
08154	3	P	Mineral Wells Pioneer Crossing	2509 E. Hubbard	Mineral Wells	Rural	☐	☐	80	80	G	NC	☐	$805,355	Noor Allah Jooma	☑	198.0	PA
08100	3	P	Grand Reserve Seniors - Waxahachie Community	Park Hills Dr. (New Street Being Constructed)	Waxahachie	Rural	☐	☐	80	80	E	NC	☐	$891,368	Kenneth Mitchell	☐	197.0	PA
08256	3	P	Westway Place	44th St. off West Park Row	Corsicana	Rural	☐	☐	40	40	G	NC	☐	$478,392	Emanuel H. Glockzin, Jr.	☑	195.0	PA
08203	3	P	Evergreen at Forney	NW. Corner of State Hwy 80 & FM 548	Forney	Rural	☐	☑	80	80	E	NC	☐	$800,000	Brad Forslund	☑	184.0	PA

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08249	3	P	Terrell Senior Terraces III	349 Windsor Ave.	Terrell	Rural	☐	☑	72	80	E	NC	☐	$710,695	Barry Halla	☑	0.0	TERM
								Total:	**494**	**504**				**$5,194,711**				
								Total:	**610**	**620**				**$5,265,835**				
33	**Applications in Region**							**Region Total:**	**3,735**	**3,815**				**$21,092,265**				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 4

Allocation Information for Region 4: **Total Credits Available for Region: $2,133,630** **Urban Allocation: $902,671** **Rural Allocation: $1,230,960**

Applications Submitted in Region 4: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08019	4	A	Longview Senior Apt Community	1600 Blk E. Whaley	Longview	Urban	☐	☐	100	100	E	NC	☐	$61,873	Brad Forslund	☐	300.0	BA
								Total:	**100**	**100**				**$61,873**				
08284	4	P	North Eastman Residential	1400 N. Eastman Dr.	Longview	Urban	☐	☐	80	80	G	NC	☐	$885,808	Stuart Shaw	☐	204.0	REA
08262	4	P	Lake View Apartment Homes	N. Broadway at Loop 323	Tyler	Urban	☐	☐	134	140	E	NC	☐	$1,150,000	Michael Lankford	☐	203.0	PA
								Total:	**214**	**220**				**$2,035,808**				
								Total:	**314**	**320**				**$2,097,681**				

Applications Submitted in Region 4: Rural

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08013	4	A	Timber Village Apartments	2707 Norwood St.	Marshall	Rural	☐	☐	76	76	G	NC	☐	$43,961	Rick J. Deyoe	☐	300.0	BA
								Total:	**76**	**76**				**$43,961**				
08157	4	P	SilverLeaf at Chandler	801 FM 2010	Chandler	Rural	☐	☐	80	80	E	NC	☐	$763,244	Mike Sugrue	☑	204.0	REA
08258	4	P	Lexington Court Phase II	3509 US Hwy 259 N.	Kilgore	Rural	☐	☑	76	76	G	NC	☐	$694,422	Emanuel H. Glockzin, Jr.	☑	200.0	REA
08110	4	P	Paris Big Sandy Apartments	Lamar Ave., 1 Mile E. of Loop 289	Paris	Rural	☐	☐	63	64	G	NC	☐	$612,210	Justin Zimmerman	☐	199.0	PA
08240	4	P	Timber Village Apartments II	2707 Norwood St.	Marshall	Rural	☐	☐	72	72	G	NC	☐	$687,886	Rick J. Deyoe	☐	195.0	PA
08185	4	P	Historic Lofts of Palestine	201 W. Oak St.; 314 S. Queen St.; 201 E. Oak St.; 119 E. Oak St.	Palestine	Rural	☐	☐	65	65	G	NC	☐	$647,682	Bill Scantland	☐	186.0	PA
								Total:	**356**	**357**				**$3,405,444**				
								Total:	**432**	**433**				**$3,449,405**				
	9		**Applications in Region**					**Region Total:**	**746**	**753**				**$5,547,086**				

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Region: 5

Allocation Information for Region 5: **Total Credits Available for Region:** $988,048 **Urban Allocation:** $398,184 **Rural Allocation:** $589,864

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
Applications Submitted in Region 5:			**Urban**															
08061	5	A	Southwood Crossing Apartments	3901 Hwy 73	Port Arthur	Urban			120	120	G	NC		$59,326	K.T. (Ike) Akbari		300.0	BA
								Total:	**120**	**120**				**$59,326**				
08133	5	P	Timber Creek Senior Living	Proposed Sienna Trails Dr. & Timber Creek Loop	Beaumont	Urban			120	120	E	NC		$1,110,256	Ofelia Elizondo		193.0	REA
								Total:	**120**	**120**				**$1,110,256**				
								Total:	**240**	**240**				**$1,169,582**				
Applications Submitted in Region 5:			**Rural**															
08049	5	A	Timber Pointe Apt Homes	I-69 Hwy at Loop 287	Lufkin	Rural			74	76	E	NC		$40,362	Alicia Morgan		300.0	BA
								Total:	**74**	**76**				**$40,362**				
08174	5	P	Oakleaf Estates	1195 Hwy 327 & E. Tennison Ln.	Silsbee	Rural			80	80	G	NC		$736,782	K.T. (Ike) Akbari		169.0	REA
08179	5	P	Homes at Cypress Ridge	100 SE. Stallings Dr.	Nacogdoches	Rural			54	54	G	NC		$670,732	Anita M. Kegley		151.0	REA
								Total:	**134**	**134**				**$1,407,514**				
								Total:	**208**	**210**				**$1,447,876**				
5	**Applications in Region**							**Region Total:**	**448**	**450**				**$2,617,458**				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 6

Allocation Information for Region 6: **Total Credits Available for Region: $8,771,972** **Urban Allocation: $8,043,332** **Rural Allocation: $728,639**

Applications Submitted in Region 6: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08060	6	A	Olive Grove Manor	101 Normandy	Houston	Urban	☐	☐	160	160	E	NC	☐	$89,097	H. Elizabeth Young	☐	300.0	BA
08062	6	A	Ambassador North Apartments	8210 Bauman Rd.	Houston	Urban	☐	☐	100	100	G	RH	☑	$48,989	David Marquez	☐	300.0	BA
08009	6	A	Enclave	S. Side of 1200 & 2300 Blks of W. Tidwell	Houston	Urban	☐	☐	40	40	G	NC	☐	$35,880	Isaac Matthews	☐	300.0	BA
08051	6	A	Lincoln Park Apartments	790 W. Little York	Houston	Urban	☐	☐	200	250	G	NC	☐	$114,621	Horace Allison	☐	300.0	BA
08065	6	A	Kingwood Senior Village	200 N. Pines	Houston	Urban	☐	☑	192	193	E	NC	☐	$87,431	Stephan Fairfield	☐	300.0	BA
08008	6	A	Waterside Court	S. Side of Approx. 500 Blk West Rd.	Houston	Urban	☐	☐	112	118	G	NC	☐	$100,100	W. Barry Kahn	☐	300.0	BA
								Total:	**804**	**861**				**$476,118**				
08303	6	P	Heritage Square	520 3rd Ave. N.	Texas City	Urban	☐	☐	50	50	E	RH	☑	$373,190	Chad Asarch	☐	211.0	REA
08140	6	P	Premier on Woodfair	9502 Woodfair Dr.	Houston	Urban	☐	☐	389	408	G	RH	☐	$1,200,000	Ruth Gaus	☐	206.0	REA
08101	6	P	Jackson Village Retirement Center	200 Abner Jackson Blvd.	Lake Jackson	Urban	☐	☐	92	96	E	NC	☐	$887,645	Ofelia Elizondo	☐	205.0	REA
08244	6	P	TownePlace Reserve	W. Side of Cullen Blvd, S. of FM 518	Pearland	Urban	☐	☐	115	120	E	NC	☐	$1,200,000	Les Kilday	☐	204.0	REA
08232	6	P	Sakowitz Apartments	2300 Sakowitz	Houston	Urban	☐	☑	166	166	G	NC	☐	$740,419	Joy Horak-Brown	☐	203.0	REA
08251	6	P	HomeTowne on Wayside	SW Corner of Wayside & Ley Rd.	Houston	Urban	☐	☐	123	128	E	NC	☐	$950,000	Kenneth W. Fambro	☐	203.0	REA
08198	6	P	Highland Manor	300 Blk Newman Rd.	La Marque	Urban	☐	☐	133	141	E	NC	☐	$1,200,000	David Koogler	☐	200.0	REA
08126	6	P	South Acres Ranch	E. Side of Approx. 11500 Blk Scott	Houston	Urban	☐	☐	77	80	G	NC	☐	$1,200,000	W. Barry Kahn	☐	200.0	REA
08295	6	P	Vista Bonita Apartments	9313 Tallyho Rd.	Houston	Urban	☐	☐	118	118	G	RH	☑	$1,078,293	Amay Inamdar	☐	197.0	REA
08228	6	P	Chelsea Senior Community	3350 W. Little York Rd.	Houston	Urban	☐	☐	36	36	E	NC	☐	$506,036	Cherno Njie	☐	191.0	PA

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08218	6	P	Southern Terrace	2703 25th Ave. N.	Texas City	Urban	☐	☐	36	36	E	NC	☐	$427,268	James W. Fieser	☐	0.0	WITH
								Total:	**1,335**	**1,379**				**$9,762,851**				
								Total:	**2,139**	**2,240**				**$10,238,969**				

Applications Submitted in Region 6: Rural

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08304	6	P	Park Place Apartments	100 Campbell St.	Cleveland	Rural	☐	☐	60	60	I	RH	☑	$512,972	Chad Asarch	☐	199.0	REA
08254	6	P	Montgomery Meadows Phase II	Corner of Old Montgomery Rd. & Cline	Huntsville	Rural	☐	☐	48	48	E	NC	☐	$508,352	Emanuel H. Glockzin, Jr.	☐	194.0	REA
								Total:	**108**	**108**				**$1,021,324**				
								Total:	**108**	**108**				**$1,021,324**				
19			**Applications in Region**					**Region Total:**	**2,247**	**2,348**				**$11,260,293**				

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Region: 7

Allocation Information for Region 7: **Total Credits Available for Region: $2,235,560** **Urban Allocation: $1,698,577** **Rural Allocation: $536,984**

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
Applications Submitted in Region 7:			**Urban**															
08063	7	A	Parker Lane Seniors Apartments	2000 Woodward	Austin	Urban	☐	☐	68	70	E	NC	☐	$44,241	Keith Hoffpauir	☐	300.0	BA
08024	7	A	Cambridge Villas	800 Dessau Rd.	Pflugerville	Urban	☐	☐	200	208	E	NC	☐	$115,908	Keith Hoffpauir	☐	300.0	BA
08059	7	A	San Gabriel Senior Village	1900, 1906 & 1910 Leander St.	Georgetown	Urban	☐	☐	100	100	E	NC	☐	$64,206	Colby Denison	☐	300.0	BA
								Total:	**368**	**378**				**$224,355**				
08253	7	P	Creekside Villas Senior Village	10.962 Acres on FM 967, On Onion Creek	Buda	Urban	☐	☐	144	144	E	NC	☐	$1,200,000	Colby Denison	☑	209.0	REA
08134	7	P	Huntington	FM 118, 1550' N. of FM 2001	Buda	Urban	☐	☐	116	120	E	NC	☐	$888,471	Ofelia Elizondo	☐	202.0	PA
08271	7	P	Manor Road SRO	5908 Manor Rd.	Austin	Urban	☐	☑	110	110	G	NC	☐	$628,653	Frank Fernandez	☐	177.0	PA
								Total:	**370**	**374**				**$2,717,124**				
								Total:	**738**	**752**				**$2,941,479**				
Applications Submitted in Region 7:			**Rural**															
08016	7	A	Gardens of Taylor, LP	317 Sloan St.	Taylor	Rural	☐	☐	36	36	E	NC	☐	$26,325	George D. Hopper	☐	300.0	BA
								Total:	**36**	**36**				**$26,325**				
08229	7	P	Fairwood Commons Senior Apartments	S. Side of Old Austin Hwy Approx. 250' E. of Hasler Blvd.	Bastrop	Rural	☐	☐	63	66	E	NC	☐	$499,000	David G. Rae	☑	199.0	PA
08263	7	P	Villas at Lost Pines	1000' N. of Hwy 71 & Hwy 95 Intersection	Bastrop	Rural	☐	☐	64	66	E	NC	☐	$499,159	Diana McIver	☑	199.0	REA
08181	7	P	Park Ridge Apartments	SE. Corner of Legend Hills Blvd. & RM 152	Llano	Rural	☐	☐	61	64	G	NC	☐	$585,392	Mark Mayfield	☑	191.0	PA
08192	7	P	Hutto Enclave	5 Acres of Hutto Square Tract A Exchange Blvd.	Hutto	Rural	☐	☐	80	80	G	NC	☐	$676,757	Colby Denison	☐	0.0	WITH
								Total:	**268**	**276**				**$2,260,308**				
								Total:	**304**	**312**				**$2,286,633**				
11	**Applications in Region**							**Region Total:**	**1,042**	**1,064**				**$5,228,112**				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 8

Allocation Information for Region 8: **Total Credits Available for Region: $2,567,542** **Urban Allocation: $2,021,402** **Rural Allocation: $546,140**

Applications Submitted in Region 8: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08050	8	A	Ridge Pointe Apartments	1600 Blk Bacon Ranch Rd.	Killeen	Urban	☐	☐	164	172	G	NC	☐	$97,664	Michael Lankford	☐	300.0	BA
08006	8	A	Country Lane Seniors-Temple Community	SE. H.K. Dodgen Loop, W. of MLK Jr. Dr.	Temple	Urban	☐	☐	98	102	E	NC	☐	$63,226	Kenneth Mitchell	☐	300.0	BA
								Total:	**262**	**274**				**$160,890**				
08257	8	P	Constitution Court	Constitution Dr. off US Hwy 190	Copperas Cove	Urban	☐	☐	108	108	G	NC	☐	$962,957	Emanuel H. Glockzin, Jr.	☑	206.0	REA
08208	8	P	Mansions at Briar Creek	1600 Blk Prairie Dr.	Bryan	Urban	☐	☐	171	171	E	NC	☐	$1,187,937	Robert R. Burchfield	☐	201.0	REA
08261	8	P	Towne Center Apartments Homes	1301 Prairie Dr.	Bryan	Urban	☐	☐	141	148	E	NC	☐	$1,099,702	Michael Lankford	☐	200.0	PA
08280	8	P	Costa Esmeralda	Gurley Ln. & S. 16th St.	Waco	Urban	☐	☐	112	112	G	NC	☐	$993,175	Mark Mayfield	☐	196.0	PA
								Total:	**532**	**539**				**$4,243,771**				
								Total:	**794**	**813**				**$4,404,661**				

Applications Submitted in Region 8: Rural

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08076	8	A	Villas of Hubbard	NW. Corner of Magnolia Ave. & S. 4th St.	Hubbard	Rural	☐	☐	36	36	E	NC	☐	$16,284	Deborah A. Griffin	☐	300.0	BA
								Total:	**36**	**36**				**$16,284**				
								Total:	**36**	**36**				**$16,284**				
7	**Applications in Region**							**Region Total:**	**830**	**849**				**$4,420,945**				

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Region: 9

Allocation Information for Region 9: **Total Credits Available for Region: $3,005,194** **Urban Allocation: $2,461,049** **Rural Allocation: $544,145**

Applications Submitted in Region 9: Urban

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08093	9	A	San Juan Square II	S. Calaveras St. & Brady Blvd.	San Antonio	Urban	☐	☑	138	144	G	RC	☐	$1,200,000	Henry A. Alvarez III	☐	301.0	FWD
08048	9	A	Alhambra	7100 Blk New Laredo Hwy	San Antonio	Urban	☐	☑	134	140	E	NC	☐	$79,507	Henry A. Alvarez III	☐	300.0	BA
08047	9	A	San Juan Square	Corner of S. Zarzamora St. & Ceralvo St.	San Antonio	Urban	☐	☑	137	143	G	NC	☐	$85,948	Henry A. Alvarez III	☐	300.0	BA
								Total:	**409**	**427**				**$1,365,455**				
08200	9	P	Ingram Square Apartments	5901 Flynn Dr.	San Antonio	Urban	☐	☐	120	120	G	RH	☑	$752,115	Paul Patierno	☐	213.0	REA
08269	9	P	Darson Marie Terrace	3142 Weir Ave.	San Antonio	Urban	☐	☐	54	57	E	NC	☐	$571,824	Richard Washington	☐	189.0	PA
08190	9	P	Sutton Homes	909 Runnels	San Antonio	Urban	☐	☐	184	194	G	RH	☐	$1,200,000	Ryan Wilson	☐	187.0	PA
								Total:	**358**	**371**				**$2,523,939**				
								Total:	**767**	**798**				**$3,889,394**				

Applications Submitted in Region 9: Rural

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08135	9	P	Gardens at Clearwater	400 Block of Clearwater Paseo	Kerrville	Rural	☐	☐	80	80	E	NC	☐	$760,867	Lucille Jones	☐	193.0	REA
								Total:	**80**	**80**				**$760,867**				
								Total:	**80**	**80**				**$760,867**				
	7		**Applications in Region**					**Region Total:**	**847**	**878**				**$4,650,261**				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
Region:	**10**																	
Allocation Information for Region 10:			**Total Credits Available for Region: $1,738,715**						**Urban Allocation:**			**$984,688**		**Rural Allocation:**		**$754,027**		
Applications Submitted in Region 10:			**Urban**															
08040	10	A	Navigation Pointe	909 S. Navigation Blvd.	Corpus Christi	Urban	☐	☐	124	124	G	NC	☐	$67,974	Manish Verma	☐	300.0	BA
								Total:	**124**	**124**				**$67,974**				
08235	10	P	Buena Vida Senior Village	4650 Old Brownsville Rd.	Corpus Christi	Urban	☐	☐	100	100	E	NC	☐	$923,689	Randy Stevenson	☐	199.0	REA
08145	10	P	Oasis at the Park	420 N. Port	Corpus Christi	Urban	☐	☑	80	80	G	ADR	☐	$292,131	David Marquez	☐	197.0	PA
08194	10	P	D.N Leathers Townhomes	1001 Coke St.	Corpus Christi	Urban	☐	☑	130	130	G	NC	☐	$1,200,000	Richard Franco	☐	195.0	PA
								Total:	**310**	**310**				**$2,415,820**				
								Total:	**434**	**434**				**$2,483,794**				
Applications Submitted in Region 10:			**Rural**															
08010	10	A	Figueroa Apartments	998 Ruben Chavez St.	Robstown	Rural	☐	☐	44	44	G	RH	☑	$16,592	Rick J. Deyoe	☐	300.0	BA
								Total:	**44**	**44**				**$16,592**				
08152	10	P	Heights at Corral	1000 W. Corral Ave.	Kingsville	Rural	☐	☐	80	80	G	RH	☐	$784,000	Socorro (Cory) Hinojosa	☐	217.0	REA
08266	10	P	Hillcrest at Galloway	NE. Intersection of S. Hillside Dr. & Galloway Dr.	Beeville	Rural	☐	☐	46	48	G	NC	☐	$555,172	Eileen Manes	☑	204.0	PA
08123	10	P	Oaks of Beeville	1900 Blk W. Corpus Christi	Beeville	Rural	☐	☐	80	80	G	NC	☐	$836,716	Donna Rickenbacker	☐	0.0	WITH
								Total:	**206**	**208**				**$2,175,888**				
								Total:	**250**	**252**				**$2,192,480**				
8	**Applications in Region**							**Region Total:**	**684**	**686**				**$4,676,274**				

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Region: 11

Allocation Information for Region 11: **Total Credits Available for Region: $5,089,828** **Urban Allocation: $3,258,159** **Rural Allocation: $1,831,669**

Applications Submitted in Region 11: Urban

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08094	11	A	Sunset Terrace	920 W. Villegas	Pharr	Urban	☐	☐	100	100	G	RC	☐	$975,319	J. Fernando Lopez	☐	301.0	FWD
08095	11	A	Bluebonnet Senior Village	1201 W. Austin Ln.	Alamo	Urban	☐	☐	36	36	E	NC	☐	$360,000	Mary Vela	☐	301.0	FWD
08039	11	A	La Villita Apartments Phase II	2828 Rockwell Dr.	Brownsville	Urban	☐	☐	80	80	G	NC	☐	$39,426	Mark Musemeche	☐	300.0	BA
08028	11	A	Vida Que Canta Apartments	500' N. of S. Mile Rd. on Inspiration Rd.	Mission	Urban	☐	☐	160	160	G	NC	☐	$87,318	Ketinna Williams	☐	300.0	BA
08014	11	A	Sevilla Apartments	600 N. Airport Dr.	Weslaco	Urban	☐	☐	80	80	G	RH	☑	$25,386	Rick J. Deyoe	☐	300.0	BA
08011	11	A	Poinsetta Apartments	Between N. 9th St. & N. 10th St. at Duranta Ave.	Alamo	Urban	☐	☐	100	100	G	NC	☐	$54,564	Rick J. Deyoe	☐	300.0	BA
								Total:	**556**	**556**				**$1,542,013**				
08151	11	P	Parkview Terrace	211 W. Audrey	Pharr	Urban	☐	☑	100	100	G	RH	☐	$985,000	J. Fernando Lopez	☐	214.0	REA
08158	11	P	Villas at Beaumont	2200 Beaumont Ave.	McAllen	Urban	☐	☑	36	36	E	NC	☐	$376,000	Joe Saenz	☐	200.0	REA
								Total:	**136**	**136**				**$1,361,000**				
								Total:	**692**	**692**				**$2,903,013**				

Applications Submitted in Region 11: Rural

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08041	11	A	Los Ebanos Apartments	1103 Lincoln St.	Zapata	Rural	☑	☐	28	28	E	NC	☐	$4,855	Dennis Hoover	☐	300.0	BA
08012	11	A	Mesa Vista Apartments	Salinas St. at Stites St.	Donna	Rural	☐	☐	76	76	G	NC	☐	$42,387	Rick J. Deyoe	☐	300.0	BA
08032	11	A	Madison Pointe	US 81 & Las Palmas Dr.	Cotulla	Rural	☐	☐	76	76	G	NC	☐	$45,165	Donald Pace	☐	300.0	BA
								Total:	**180**	**180**				**$92,407**				
08302	11	P	Leona Apartments	209 First St.	Uvalde	Rural	☐	☐	40	40	G	RH	☑	$130,923	Chad Asarch	☐	200.0	REA
08176	11	P	Maeghan Pointe	SR 107 & Mile 6 Rd.	Elsa	Rural	☐	☐	80	80	G	NC	☐	$1,083,920	Donald Pace	☐	199.0	REA
08294	11	P	Stardust Village	Hwy 83, 1/2 Blk N. of Brazos St.	Uvalde	Rural	☐	☐	36	36	G	NC	☐	$429,577	Tammye Trevino	☐	196.0	REA

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4 = Target Population Abbreviation: Intergenerational=I, Elderly=E, General=G.
5 = Housing Activity: New Construction=NC, Rehabilitation (includes Reconstruction)=RH, Adaptive Reuse=ADR.
6 = Acquisition=ACQ, Developments for which acquisition Housing Tax Credits are being requested.
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* = Score is requested score because application is under appeal.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]
08248	11	P	Champion Townhomes - La Joya	10.1 Acres SW. Corner of Alex & Hwy 77/83	La Joya	Rural	☐	☐	80	80	G	NC	☐	$940,000	Saleem Jafar	☐	0.0	TERM
								Total:	236	236				$2,584,420				
								Total:	416	416				$2,676,827				
			15 Applications in Region					Region Total:	1,108	1,108				$5,579,840				

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File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	Set-Asides[3] NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 12

Allocation Information for Region 12: **Total Credits Available for Region: $1,074,823** **Urban Allocation: $547,595** **Rural Allocation: $527,228**

Applications Submitted in Region 12: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08092	12	A	Key West Village Phase II	1600 W. Clements	Odessa	Urban	☐	☑	36	36	E	NC	☐	$237,938	Bernadine Spears	☐	301.0	FWD
								Total:	**36**	**36**				**$237,938**				
08138	12	P	River Place Apartments	Rio Concho Dr. & Irene St.	San Angelo	Urban	☐	☐	120	120	E	NC	☐	$994,242	G. Granger MacDonald	☐	189.0	REA
08300	12	P	Blackshear Homes	8 Scattered Sites on Shelton, W. 19th, Brown, & Lillie Sts.	San Angelo	Urban	☐	☐	20	20	G	NC	☐	$278,624	Stephanie Dugan	☐	170.0	PA
								Total:	**140**	**140**				**$1,272,866**				
								Total:	**176**	**176**				**$1,510,804**				

Applications Submitted in Region 12: Rural

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08299	12	P	Southern View Apartments	SW. Corner of Ryan St. & Hwy 385	Fort Stockton	Rural	☐	☐	48	48	G	NC	☐	$436,959	Justin Zimmerman	☐	126.0	REA
								Total:	**48**	**48**				**$436,959**				
								Total:	**48**	**48**				**$436,959**				
4	**Applications in Region**							**Region Total:**	**224**	**224**				**$1,947,763**				

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* = Score is requested score because application is under appeal.

File #	Region	Status[1]	Development Name	Address	City	Allocation[2]	Set-Asides[3] USDA	NP	LI Units	Total Units	Target[4] Pop	Housing[5] Activity	ACQ[6]	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes[7]

Region: 13

Allocation Information for Region 13: **Total Credits Available for Region: $1,601,151** **Urban Allocation: $1,063,687** **Rural Allocation: $537,464**

Applications Submitted in Region 13: Urban

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08046	13	A	Linda Vista Apartments	4866 Hercules Ave.	El Paso	Urban	☐	☑	36	36	G	NC	☐	$21,807	Bill Schlesinger	☐	300.0	BA
08045	13	A	Deer Palms	6350 Deer Rd.	El Paso	Urban	☐	☐	152	152	G	NC	☐	$83,474	R.L. (Bobby) Bowling, IV	☐	300.0	BA
								Total:	**188**	**188**				**$105,281**				
08160	13	P	Tres Palmas	Rich Beem, Approx. 300' N. of Montana St.	El Paso	Urban	☐	☐	172	172	G	NC	☐	$1,200,000	R.L. (Bobby) Bowling, IV	☐	188.0	REA
08301	13	P	Ysleta del Sur Pueblo Homes I	Tomas Granillo St.	Socorro	Urban	☐	☐	60	60	G	NC	☐	$694,425	Albert Joseph	☐	184.0	APP
08161	13	P	Canutillo Palms	S. & Adjacent to Canutillo High School, 200' W. of I-10	El Paso	Urban	☐	☐	172	172	G	NC	☐	$1,200,000	R.L. (Bobby) Bowling, IV	☐	178.0	PA
08183	13	P	Desert Villas	0.5 Miles SW. of Intersection of Alameda Ave. & Coronado Rd.	El Paso	Urban	☐	☐	94	94	G	NC	☐	$954,776	Ike J. Monty	☐	178.0	PA
08162	13	P	Valle Vista Apartments	170 Polo Inn Rd.	El Paso	Urban	☐	☑	36	36	G	NC	☐	$360,270	Bill Schlesinger	☐	0.0	WITH
								Total:	**534**	**534**				**$4,409,471**				
								Total:	**722**	**722**				**$4,514,752**				

Applications Submitted in Region 13: Rural

File #	Region	Status	Development Name	Address	City	Allocation	USDA	NP	LI Units	Total Units	Target Pop	Housing Activity	ACQ	Credit Request	Owner Contact	TDHCA HOME	Awd* Score	Notes
08163	13	P	San Elizario Palms	13800 Blk of Socorro Rd. Near Herring Rd.	San Elizario	Rural	☐	☐	80	80	G	NC	☐	$748,456	R.L. (Bobby) Bowling, IV	☐	177.0	REA
								Total:	**80**	**80**				**$748,456**				
								Total:	**80**	**80**				**$748,456**				
	8		**Applications in Region**					**Region Total:**	**802**	**802**				**$5,263,208**				
	137		**Total Applications**	**Sum of Awarded Credits: $6,764,382**	**Sum of Pending Credits: $70,621,768**				**13,581**	**13,849**				**$77,386,150**				

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* = Score is requested score because application is under appeal.

MULTIFAMILY FINANCE PRODUCTION DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM

June 26, 2008

Action Item

Presentation and Discussion of Challenges Made in Accordance with §50.(17)(c) of the 2008 Qualified Allocation Plan and Rules (QAP) Concerning 2008 Housing Tax Credit (HTC) Applications.

Requested Action

Informational item for Board review.

Summary

The Department allows unrelated parties to an application to submit challenges against any application pursuant to §50.17(c) of the 2008 Qualified Allocation Plan and Rule (QAP). A challenge may pertain to any part of the application including but not limited to eligibility, selection (scoring) and threshold. Staff reviews the challenge and submits a request to the applicant for a response to the challenge. Staff researches both sides of the challenge and makes a determination of appropriate resolution to the challenge. A summary of the challenge and of the resolution is provided in the Challenge Status Log and is published on the Department's website.

The attached table titled, **Status Log of 2008 Competitive Housing Tax Credit Challenges Received as of June 16, 2008** ("Status Log")**,** summarizes status of the challenges received on or before June 16, 2008. The challenges were made against Applications in the 2008 Application Round. Behind the Status Log, all imaged challenges are provided in project number order. New challenges and determinations regarding challenges have been highlighted in yellow to indicate an update from the June 26, 2008 Board materials.

All challenges are addressed pursuant to §50.17(c) of the 2008 QAP, which states, "the Department will address information or challenges received from unrelated entities to a specific 2008 active Application, utilizing a preponderance of the evidence standard, in the following manner, provided the information or challenge includes a contact name, telephone number, fax number and e-mail address of the person providing the information or challenge:

(1) Within 14 business days of the receipt of the information or challenge, the Department will post all information and challenges received (including any identifying information) to the Department's website.
(2) Within seven business days of the receipt of the information or challenge, the Department will notify the Applicant related to the information or challenge. The Applicant will then have seven business days to respond to all information and challenges provided to the Department.
(3) Within 14 business days of the receipt of the response from the Applicant, the Department will evaluate all information submitted and other relevant documentation related to the investigation. This information may include information requested by the Department

> relating to this evaluation. The Department will post its determination summary to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant."

Please note that a challenge is not eligible pursuant to this section if it is not made against a specific active 2008 HTC Application. If an Application is no longer active because the Development has been awarded tax credits by the Texas Department of Housing and Community Affairs' (the "Department") Board, challenges relating to the awarded/inactive Application are not eligible under this section.

To the extent that the Applicant related to the challenge responds to the eligible challenge(s), point reductions and/or terminations could possibly be made administratively. In these cases, the Applicant will be been given an opportunity to appeal pursuant to §50.17(b) of the 2008 QAP, as is the case with all point reductions and terminations. To the extent that the evidence does not confirm a challenge, a memo will be written to the file for that Application relating to the challenge. The table attached reflects a summary of all such challenges received and determinations made as of June 16, 2008.

Status Log of 2008 Competitive Housing Tax Credit Challenges Received as of June 16, 2008

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/13/2008	08229	Fairwood Commons Senior Apartments	JoEllen Smith, DMA Development Company, LLC	Challenge regarding points awarded to the Application under §50.9(i)(7), Rent Levels of the Units. The basis of the challenge as reflected in the challenge documentation is: the Application was awarded 12 points for this, requiring that greater than 95% of the units be restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent. The Application includes 66 units, 63 of which are restricted to having rents plus the allowance for utilities equal to or below the maximum tax credit rent. This equates to 94.45%, not meeting the greater than 95% requirement.	**Analysis:** The Application Submission Procedures Manual gives examples of rounding that requires decimals to be rounded to the nearest whole number. Based on the examples we give, 95.45% would round to 95%, which is not a great enough percentage to qualify for the twelve points awarded but is enough to qualify for ten points under this point item. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §50.17(c) of the 2008 QAP. The Application score will be reduced from twelve to ten points for §50.9(i)(7) of the 2008 QAP based on the proposed number of units set aside.
6/13/2008	08251	HomeTowne on Wayside	W. Barry Kahn, South Acres Ranch, Ltd.	Challenge regarding points awarded to the Application under §50.9(i)(15), Economic Development Initiatives. The basis of the challenge as reflected in the challenge documentation is: the letter submitted in the Application for points under this item did not refer to a Designated State or Federal Empowerment/Enterprise Zone, Urban Enterprise Community, or Urban Enhanced Enterprise Community; the letter does not state that the proposed development is eligible to receive state or federal economic development grants or loans; the letter does not state that the City still has available funds; the City ordinance attached to the letter refers to Community Development Block Grant funds, yet the applicant has applied for HOME funds and the acceptance letter from the City refers to HOME funds, not CDBG funds.	**Analysis:** The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §50.17(c) of the 2008 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2008 Competitive Housing Tax Credit Challenges Received as of June 16, 2008

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/2/2008	08253	Creekside Villas Senior Village	Mark Musemeche, MGroup	Challenge regarding points awarded to the Application under §50.9(i)(8), Cost of the Development by Square Foot. The basis of the challenge as reflected in the challenge documentation is: the total area used to calculate the cost per square foot included the area of "corridors" that are actually covered breezeways with numerous openings to the exterior environment, including not only exposed open stairwells, but also exposed open elevator lobbies.	**Analysis:** Per §50.9(i)(8) of the QAP, "if the proposed Development is an elevator building serving elderly…, the NRA may include elevator served interior corridors." The QAP does not define or give any requirements for "interior corridors" and does not distinguish them from "breezeways." There is no requirement that the corridors be enclosed, heated, cooled, or "of like space" to net rentable area. That staff opined that this is the intent of the QAP is secondary to the fact that this is not required by the QAP. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §50.17(c) of the 2008 QAP and has determined that no further action will be taken with regard to this challenge.
6/12/2008	08255	West Park Senior Housing	Janine Sisak, DMA Development Company, LLC	Challenge regarding points awarded to the Application under §50.9(i)(2), Quantifiable Community Participation. The basis of the challenge as reflected in the challenge documentation is: by allowing the West Park Property Owners Association to use a fax machine at a property owned by the Applicant, the Applicant provided production assistance to the Neighborhood Organization that submitted a letter for the purpose of scoring points for the Application.	**Analysis:** Per §50.9(i)(2) of the QAP, "Applicants may not provide any "production" assistance to meet these requirements for any Application in the Application Round (i.e. use of fax machines owned by the Applicant, use of legal counsel related to the Applicant, or assistance drafting a letter for the purposes of this subparagraph)." The fax machine in question is not owned by the Applicant. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §50.17(c) of the 2008 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2008 Competitive Housing Tax Credit Challenges Received as of June 16, 2008

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/12/2008	08256	Westway Place	Janine Sisak, DMA Development Company, LLC	Challenge regarding points awarded to the Application under §50.9(i)(2), Quantifiable Community Participation. The basis of the challenge as reflected in the challenge documentation is: by allowing the West Park Property Owners Association to use a fax machine at a property owned by the Applicant, the Applicant provided production assistance to the Neighborhood Organization that submitted a letter for the purpose of scoring points for the Application.	**Analysis:** Per §50.9(i)(2) of the QAP, "Applicants may not provide any "production" assistance to meet these requirements for any Application in the Application Round (i.e. use of fax machines owned by the Applicant, use of legal counsel related to the Applicant, or assistance drafting a letter for the purposes of this subparagraph)." The fax machine in question is not owned by the Applicant. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §50.17(c) of the 2008 QAP and has determined that no further action will be taken with regard to this challenge.
6/15/2008	08299	Southern View Apartments	Noor Allah Jooma	Challenge regarding points awarded to the Application under §50.9(h)(8)(A)(i), Certifications of Notifications. The basis of the challenge as reflected in the challenge documentation is: the Applicant did not request a list of Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site from local elected officials.	**Pending:** Posted to the Department's website. Challenge being processed pursuant to §50.17(c) of the 2008 QAP.

Housing Tax Credit Program
Board Action Request
June 26, 2008

Action Item

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

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **another issuer** for the tax-exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
08414	Jason Ave Residential	Amarillo	Panhandle Regional HFC	252	252	$27,647,600	$14,500,000	$1,208,394	$1,183,606

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

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, #08414.

Summary of the Transaction

Background and General Information: The application was received on April 25, 2008. The Issuer for this transaction is Panhandle Regional Housing Finance Corporation with a reservation of allocation that expires on October 6, 2008. The development is new construction and will consist of 252 total units targeting an Intergenerational population and 100% of the units are proposed to be restricted at 60% Area Median Family Income (AMFI). The proposed development will be located in Amarillo, Potter County. The site is currently zoned for this type of development.

It should be noted that this application was originally approved by the Board at the December 20, 2007 Board meeting. The Applicant; however, was unable to close on the bonds by the expiration of the reservation date and has subsequently obtained a new reservation from the Bond Review Board. Specifically, they were unable to close due to a 0.10 cent change in equity pricing and a change in their total development costs mostly relating to their site work costs.

Organizational Structure and Compliance: The Borrower is Jason Avenue Residential, L.P. and the General Partner is Jason Avenue Residential GP, LLC, of which the Panhandle Regional HFC has 100% ownership interest. The Special Limited Partner of the Borrower is SSFP Jason Avenue IX, LLC, of which Stuart Shaw has 100% ownership interest. The Compliance Status Summary completed on May 19, 2008 reveals that the principals of the general partner have received four (4) multifamily awards that have been monitored with no material non-compliance.

Census Demographics: The development is to be located near the intersection of Jason Avenue and 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. (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 approve the issuance of a Determination Notice of $1,183,606 in Housing Tax Credits for Jason Avenue Residential.

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Jason Avenue Residential, TDHCA Number 08414

BASIC DEVELOPMENT INFORMATION

Site Address:	Located near the intersection of Jason and River Road			Development #:	08414
City:	Amarillo	Region:	1	Population Served:	ntergenerational
County:	Potter	Zip Code:	78107	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	
Owner Contact and Phone	Stuart Shaw	(512) 220-8000
Developer:	SSFP Jason Avenue IX LLC	
Housing General Contractor:	Bonner Carrington Construction LLC	
Architect:	Chiles Architect's Inc.	
Market Analyst:	O'Connor and Associates	
Syndicator:	Apollo Equity Providers	
Supportive Services:	TBD	
Consultant:	State Street Housing Advisors LP	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	252	0	50	106	80	16	0

Type of Building:

☐ Duplex
☐ Triplex
☐ Fourplex

☑ 4 units or more per building
☐ Detached Residence
☐ Single Room Occupancy
☐ Transitional
☐ Townhome

Total Restricted Units:	252
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$27,647,600
Number of Residential Buildings:	13
HOME High Total Units:	10
HOME Low Total Units:	4

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$1,208,394	$1,183,606	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
June 26, 2008
Development Information, Public Input and Board Summary

Jason Avenue Residential, TDHCA Number 08414

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,

TX Representative: Swinford, District 87 NC | US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC | Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

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. 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.

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Jason Avenue Residential, TDHCA Number 08414

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

4% Housing Tax Credits: Credit Amount: $1,183,606

Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed $1,183,606 annually for ten years, subject to conditions.

TDHCA Bond Issuance: Bond Amount: $0

Recommendation:

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

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

REPORT DATE: 06/13/08 PROGRAM: 4% HTC FILE NUMBER: **08414**

DEVELOPMENT

Jason Avenue Residential

Location: Near the intersection of Jason Ave and River Rd Region: 1

City: Amarillo County: Potter Zip: 78107 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Intergenerational, Urban, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,208,394			**$1,183,606**		

CONDITIONS

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 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	252

PROS

- The bisected nature of the site is well suited for an intergenerational development, which requires separate facilities for elderly and family households.

CONS

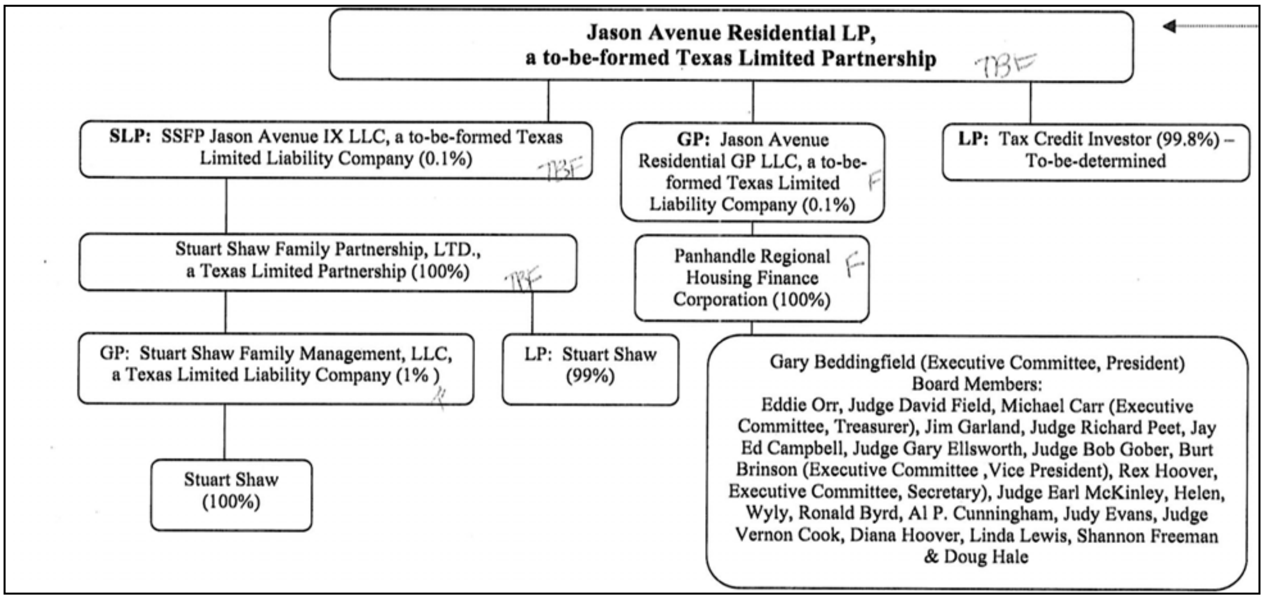
- In addition to deferral of 100% of the developer fee, the contractor may be required to defer a portion of the contractor fees in order to fill the gap in financing.
- The inclusive capture rates for the elderly 2 bedroom units and family 2 and 3 bedroom units are significantly above 100% which may indicate limited demand for these unit types.
- The underwriter's estimate of bonds amount to just 51% of the aggregate basis in land and buildings, which is just slightly above the required 50% to be eligible for 4% tax credits.

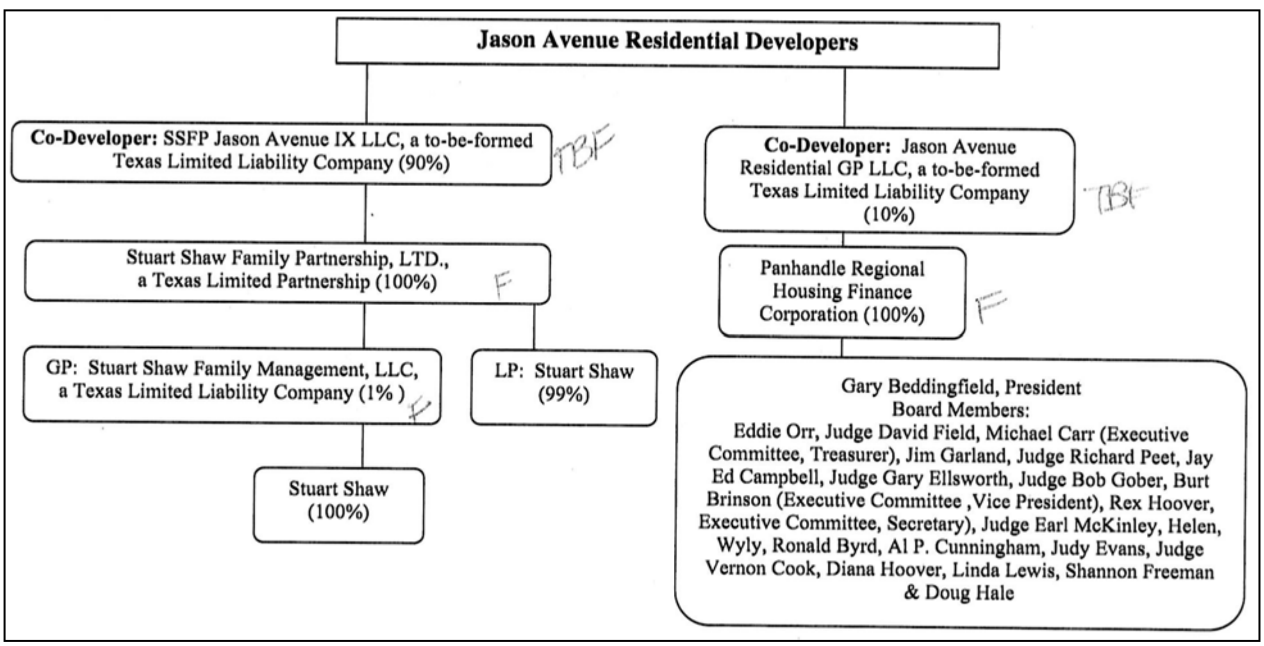
PREVIOUS UNDERWRITING REPORTS

The subject transaction was underwritten and approved in December of 2007. However, as a result of turmoil in credit markets and a significant decrease in the credit pricing, the Applicant was unable to close prior to the 150 day deadline. The previous application was underwritten with a credit price of $0.94 per dollar of credit, which has decreased to $0.85 in the current application. Additionally, the Applicant indicated the geotechnical and topographic surveys have been completed since previous approval and a significant ($945K) increase in sitework costs was necessary. The Applicant has received support from a third-party professional engineer for the higher sitework costs. Thus the credit amount being sought has gone up $39,459 from $1,168,935 to $1,208,394. It should also be noted that 2008 income limits and rents in this market have gone up rather significantly allowing for an addition $90,864 in potential gross income over 2007 rents.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE





CONTACT

Contact: Stuart Shaw   Phone: 512.220.8000   Fax: 512.329.9002
Email: stuart@bonnercarrington.com

KEY PARTICIPANTS

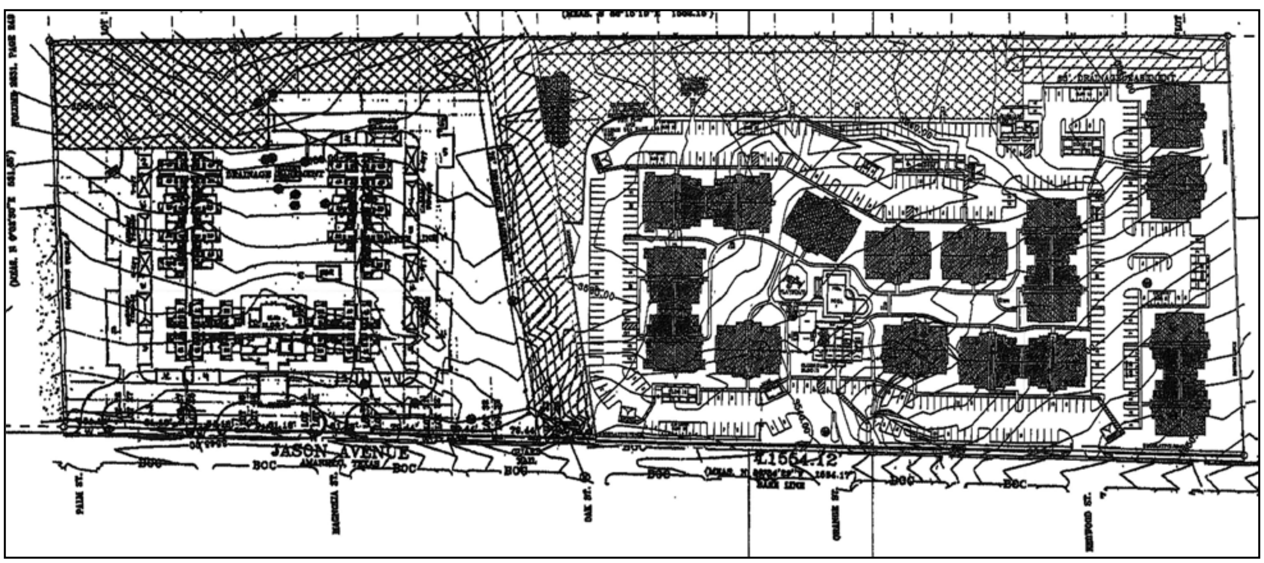
Name	Financial Notes	# Completed Developments
Stuart Shaw Family Partnership	N/A	--
Stuart Shaw Family Management	N/A	--
Stuart Shaw	N/A	6 HTC Allocations
Panhandle Regional Housing Fin. Corp.	N/A	none

IDENTITIES of INTEREST

- The Applicant, Developer and General Contractor are related entities. These are common relationships for HTC-funded developments. The Applicant has indicated that the property manager and supportive services provider are to be determined, but these roles are also often performed by related parties.
- The issuer of the tax exempt bonds, Panhandle Regional Housing Finance Corp, is also the general partner of the Applicant.
- The current owner of the property is the owner of the Special Limited Partner and owner of a Co-Developer in the subject transaction. As a result, the transfer of the property is regarded an identity of interest transaction. The contract also indicates that a $46K broker's fee will be paid to a related party brokerage. These issues will be mitigated and discussed in detail in the acquisition cost section below.

PROPOSED SITE

SITE PLAN



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BUILDING CONFIGURATION

Building Type	I	II	III	Elderly 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
1/1	771				24	20	6					50	38,550
2/2	1,100				16	6	24					46	50,600
2/2	1,049	12		12								60	62,940
3/2	1,221	8	8									80	97,680
4/2	1,372			8								16	21,952
Units per Building		20	8	20	40	26	30					**252**	**271,722**

* The elderly building is effectively three separate structures connected by open air breezeways

SITE ISSUES

Total Size: 19.79 acres

Flood Zone: C

Zoning: MF-1

Scattered site? ☐ Yes ☒ No

Within 100-yr floodplain? ☐ Yes ☒ No

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 [Section 50.3(57)], which specify:

- separate and specific buildings exclusively for the age restricted units;
- separate and specific leasing offices and leasing personnel exclusively for the age restricted units; and
- separate and specific entrances, and other appropriate security measures for the age restricted

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: 5/7/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Residential East: Residential

South: supermarket, interstate Hwy West: wooded area, residential

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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.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates   Date: 4/23/2008

Contact: Robert O Coe, II   Phone: 713.686.9955   Fax: 713.686.8336

Number of Revisions: None   Date of Last Applicant Revision: N/A

Elderly Primary Market Area (PMA): 89 square miles (5.32 mile radius)

"The subject's primary market for the Seniors portion is defined as that area within the City of Amarillo. A Seniors property typically draws from larger market area than a Family project due to a more limited supply of comparable alternative housing" (p. 9).

Family Primary Market Area (PMA): 61 square miles (4.41 mile radius)

"The primary market area for the Family portion is defined as that area within the following geographic boundaries: Loop 335 and Givens Road to the north; a line approximately 0.5 miles west of County Road A/1 to the east; a line approximately .3 miles north of CR 34, 34th Street, 29th Street, Interstate 27, and SW 28th and 21st Street to the south; and Bell Street Plains Boulevard, Western Street, and Hester Drive to the west. The subject PMA is contained within Census Tracts: 48375010300, 48375010400, 48375010600, 48375010700, 48375011000, 48375011100, 48375011500, 48375011600, 48375011900, 48375012000, 48375012200, 48375012600, 48375012800, 48375013000, 48375013400, 48375013900, 48375014100, 48375014500, 48375014600, 48375014700, 48375014800, 48375014900, 48375015000, 48375015100, 48375015200, 48375015300, 48381020400, 48381020600" (p. 9).

While the PMA for the family units extends beyond the northern boundary of the PMA for the elderly units, the majority of the population and residential infrastructure reside within the City of Amarillo. Census tracts do not correspond with local city boundaries, which is the primary reason for the northern extension of the Family PMA beyond the boundary of the Elderly PMA.

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PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
FAMILY UNITS				ELDERLY UNITS				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Cathy's Pointe Apts	08414	120	106	0				

INCOME LIMITS						
Potter						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	$18,850	$21,550	$24,250	$26,950	$29,100	$31,250
60	$22,620	$25,860	$29,100	$32,340	$34,920	$37,500

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
ELDERLY PHASE							
1 BR/Low HOME	160	15	0	175	2	0	1%
1 BR/60% Rent Limit	94	12	0	106	48	0	45%
2 BR/Low HOME	49	4	0	53	2	0	4%
2 BR/60% Rent Limit	38	5	0	43	44	0	102%
FAMILY PHASE							
2 BR/60% Rent Limit	46	1	0	47	60	48	230%
3 BR/60% Rent Limit	35	0	0	35	80	37	331%
4 BR/60% Rent Limit	42	2	0	44	16	0	36%

Comments:

The inclusive capture rates for the 2 bedroom elderly units and 2 and 3 bedroom family units are significantly more than 100%, which is a serious concern for the Underwriter. While the Department has no specific thresholds for the capture rates by unit type, these extremely high rates may indicate a lack of demand for these units in the subject markets.

It should be noted that the overall inclusive capture rates below are significantly lower than the those reflected for each unit type. This is primarily due to the use of a different data source (HISTA data) for the unit type demand calculations that allows income bands by household size. Traditionally, data was not available to use income bands specific to the household size and therefore, one income band was used with the minimum based on the rent for the minimum applicable household size and the maximum based on the maximum applicable household size.

The Department rules still allow the use of one larger income band for the determination of the overall inclusive capture rate; the charts and figures below reflect conclusions from this method of below 25% for family and below 50% for the senior units. However, this method may result in an overstatement of demand due to the unavoidable inclusion of ineligible over-income households when one income band is utilized. The Underwriter has also calculated an inclusive capture rate of 36% for the family units and an inclusive capture rate of 25% for the elderly units using household size specific income bands. Therefore, while the traditional method yields inclusive capture rates meeting the Department's requirements, if the income band specific method were relied upon, the inclusive capture rate for the family portion of the development would exceed the Department's 25% maximum by 11%.

The Underwriter's concerns about demand have been included in the "Cons" section at the beginning of the report.

This section intentionally left blank.

ELDERLY PHASE	OVERALL DEMAND									
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 88	30%	21,592	100%	21,592	6%	1,246			35%	435
Underwriter	30%	21,836	100%	21,836	15%	3,228	36%	1,166	35%	408
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 88			100%	480	6%	28			100%	28
Underwriter			100%	240	15%	35	36%	13	100%	13
DEMAND from OTHER SOURCES										
Market Analyst p. 86										69
Underwriter										30

ELDERLY PHASE	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. 88	96	0	0	96	532	18.06%
Underwriter	96	106	0	202	452	44.73%

FAMILY PHASE	OVERALL DEMAND									
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 81	100%	34,383	94%	32,179	11%	3,450			55%	1,897
Underwriter	100%	36,928	70%	26,004	18%	4,765	41%	1,952	55%	1,073
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 81			94%	516	11%	55			100%	55
Underwriter			70%	272	18%	50	41%	20	100%	20
DEMAND from OTHER SOURCES										
Market Analyst p. 79										394
Underwriter										276

FAMILY PHASE	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. 81	156	106	0	262	2,346	11.17%
Underwriter	156	106	0	262	1,370	19.13%

Primary Market Occupancy Rates:

"The average occupancy within the Amarillo MSA, as reported in the March 2008 Apartment MarketData report was 92.7%" (p. 46). The Market Analyst further reported occupancy rates by unit size and decade constructed. Based on this data, occupancy rates for properties constructed in the 2000s average 98.4% for the elderly PMA and 99.0% for the family PMA.

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 10-12 units per month for both the Seniors and Family portion of the proposed subject until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within twelve months following completion" (p. 2).

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
ELDERLY PHASE					
1 BR 771 SF 60%	$411	$411	$705	$411	$294
1 BR 771 SF 60%/LH	$516	$516	$705	$516	$189
2 BR 1,100 SF 60%	$494	$494	$880	$494	$386
2 BR 1,100 SF 60%/LH	$615	$615	$880	$615	$265
FAMILY PHASE					
2 BR 1,049 SF 60%	$615	$615	$795	$615	$180
3 BR 1,221 SF 60%/HH	$706	$706	$995	$706	$289
3 BR 1,221 SF 60%	$706	$706	$995	$706	$289
4 BR 1,372 SF 60%	$770	$770	$1,100	$770	$330

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. 102).

Comments:

The Market Analyst's determination of demand for the two bedroom elderly units and the two and three bedroom family units indicates that there may be insufficient demand for these unit types in the respective markets. For each of these unit types, the inclusive capture exceeds 100% with the capture rates for the family units exceeding 200% and 300% respectively. As discussed previously, while there is currently no specific threshold for the demand by unit type determinations, the apparent lack of demand is a serious concern for the subject property. Still, the market study provides sufficient information on which to base a funding recommendation as the overall capture rates, calculated using the traditional method, are within the Department's current guidelines.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 8 units per square mile which is less than the 1,432 units per square mile limit and Primary Market Area concentrations of 37 units per square mile for the Family PMA and 31 units per square mile for the Elderly PMA which are less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/26/2008

The Applicant's projected income is based on the lesser of the HOME or tax credit rent limits less the applicable utility allowances, maintained by the Amarillo Housing Authority. The Underwriter's rents are equal to those determined by the Applicant. Moreover, the Market Analyst has determined that the maximum program rents are achievable in the subject market.

The Applicant's regular secondary income and vacancy and collection loss estimates are each in line with Department standards. However, the Applicant has also included potential income from garage and carport rental, which amounts to $15.04 per unit per month. However, the Applicant has not provided substantiation for this source of income. Therefore, the Underwriter has not included this source. Alternatively, the Underwriter has increased total secondary income to the $15 per unit per month standard maximum used by the Department. The Applicant has not included the construction costs associated with these structures in eligible basis. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/26/2008

The Applicant's total operating expense estimate of $3,082 per unit is not within 5% of the Underwriter's estimate of $3,307 per unit derived from the TDHCA operating expense database, IREM data, and other sources. Additionally, the Applicant's line item estimate of general and administrative expense is $28K lower than the Underwriter's estimate.

The Applicant has indicated that the property is expected to receive a 100% property tax exemption due to the HFC's 100% ownership of the general partnership interest and a proposed long-term ground lease between the HFC and the partnership. The Applicant has provided a draft ground lease to further document the anticipated ownership structure. Based on the Underwriter's experience, this is a common ownership structure that is used to achieve a full property tax exemption. While this structure has been challenged in some Texas localities by the tax district, the Underwriter has also projected a 100% property tax exemption. Without the 100% exemption but only a 50% exemption the NOI would decline by roughly $125K as would the debt service capacity and the debt would likewise fall off by over $1M making the transaction no longer financially feasible.

Conclusion:

The Applicant'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 proforma yields a Year One DCR below the current underwriting minimum of 1.15. As a result, the permanent debt will be reduced to a level that yields an acceptable DCR within the parameters of the Department's guideline. This is discussed in detail in the conclusions 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, after the adjustments to the debt amount, that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Steve Rogers Company Date: 5/7/2008

Number of Revisions: None Date of Last Applicant Revision: N/A

Land Only:	19.8 acres	$160,000	As of:	8/6/2007
Entitlements:		$40,000	As of:	8/6/2007
"As Entitled" Land Value:		$200,000	As of:	8/6/2007

Comments:

The value of the entitlements includes zoning and siteplan approval by the applicable local authority.

ASSESSED VALUE

Land Only:	19.8 acres	$29,685	Tax Year:	2007
Existing Buildings:		N/A	Valuation by:	Potter CAD
Total Assessed Value:		$29,685	Tax Rate:	2.22288

EVIDENCE of PROPERTY CONTROL

Type: Agreement of Sale and Purchase (with 6 Amendments) Acreage: 19.79

Contract Expiration: 1/1/2009 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $204,000 Other: Seller to pay $46K broker's fee

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 topography of the site, with a natural drainage easement bisecting the property. The 5th Amendment also indicates a seller paid broker's fee to a related party brokerage. This fee is discussed below.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

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.

The 5th Amendment indicates the seller will pay a $46K broker's fee to a related party. However, the fee does not increase the purchase price and may be related to preferences concerning the flow of money between Stuart Shaw's related organizations. Therefore, the Underwriter has made no adjustments. Of note, the Applicant has also included $7,500 in closing costs.

Sitework Cost:

The Applicant's sitework costs of $12,743 per unit are above the current threshold of $9,000 per unit. As such, the Applicant has provided a signed and sealed estimate from a professional engineer that supports the Applicant's estimate and a letter from a CPA verifying the eligibility of the sitework costs. No further substantiation is required at this time.

This section intentionally left blank.

Direct Construction Cost:

The Applicant's projected direct construction cost of $14.1 million is 5% higher than the underwriting estimate of $13.5 million. Under a pervious application for the same project, 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.

Interim Interest Expense:

The Applicant's projected eligible interim interest expense exceeds the Department's maximum of one year of fully drawn interest on construction financing by $18,125. Therefore, the Underwriter has shifted the excess to ineligible costs.

Contingency & Fees:

The Applicant's developer fee and contingency estimates exceed the Department's maximums of 15% and 5% respectively by a total of $7,314. Therefore, the Underwriter has effectively shifted the excess to ineligible costs.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's development cost schedule is used to calculate eligible basis and determine the need for permanent financing. An eligible basis of $25,939,201supports an annual tax credit allocation of $1,183,606. This amount will be compared to the Applicant's requested allocation, and the amount determined by the gap in financing, to determine the recommended award. Of note, the Applicant used an applicable percentage of 3.58%, which is higher than the underwriting applicable percentage of 3.51%.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Issuer: Panhandle Regional Housing Finance Corp

Source: Citibank / Citi Community Capital Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $14,500,000 Interest Rate: 5.325% ☐ Fixed Amort: 420 months

Comments:

The Applicant has received a $15,000,000 reservation of Priority 2 Private Activity Bonds from the Panhandle Regional Finance Corp (related party). The lender's letter indicates that $14.5M will be utilized and that the bonds will be credit enhanced through FreddieMac. Additionally, the Applicant anticipates a swap rate structure with a 15 year swap agreement to achieve a synthetic fixed rate estimated to be 3.51% plus a full stack of 1.815%. The lender's letter indicates that an interest rate cap of 6% with a 5 year term will be required upon expiration of the swap agreement and that the borrower will be required to escrow funds to purchase said cap starting in year 10.

The lender requires a minimum DCR of 1.15.

Source: City of Amarillo Type: **Permanent Financing**

Principal: $1,000,000 Interest Rate: 1.0% x Fixed Amort: 420 months

Comments:

The Applicant has received a conditional commitment for a $1M HOME loan from the City of Amarillo. The funds are expected to be structured as a 20 year forgivable loan with interest accruing at 1%. 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 credit award.

This section intentionally left blank.

Source:	Apollo Equity Partners			Type:	**Syndication**
Proceeds:	$9,742,148	Syndication Rate:	85%	Anticipated HTC:	$ 1,146,250

Comments:

Should the final credit price decrease to less than $0.76, all else equal, the gap in financing would increase and the resulting deferred developer and contractor fees would not be repayable within the required 15 years. Alternatively, the credit price can increase to well over $1 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount:	$2,405,453	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. The current underwriting analysis assumes a decrease in the permanent loan amount to $13,474,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

Based on the Underwriter's analysis, the underwritten bonds amount to just 51.43% of the development's aggregate basis of the land and buildings. Per IRC Section 42(h)(4), To qualify for an allocation of 4% housing tax credits outside of the competitive cycle, at least 50% of the aggregate basis of the land and buildings must be financed with tax exempt bonds. The development as evaluated is very close to this threshold and any unexpected cost increases, increases in utility allowances, or increases in the interest rate on the bonds could adversely affect the development's ability to meet the 50% test.

The Applicant's total development cost estimate less the permanent loan of $13,474,000 and local HOME funding of $1,000,000 indicates the need for $13,173,600 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,549,991 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,208,394), the gap-driven amount ($1,549,991), and eligible basis-derived estimate ($1,183,606), the eligible basis-derived estimate of $1,183,606 is recommended resulting in proceeds of $10,059,640 based on a syndication rate of 85%.

The Underwriter's recommended financing structure indicates the need for $3,113,960 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:	*Cameron Dorsey*	Date:	June 13, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	June 13, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 13, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Jason Avenue Residential, Amarillo, 4% HTC #08414

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	771	$501	$411	$822	$0.53	$90.00	$37.00
TC 60%	48	1	1	771	$606	$516	$24,768	$0.67	$90.00	$37.00
TC 60%/LH	2	2	2	1,100	$606	$494	$988	$0.45	$112.00	$39.00
TC 60%	44	2	2	1,100	$727	$615	$27,060	$0.56	$112.00	$39.00
FAMILY PHASE										
TC 60%	60	2	2	1,049	$727	$615	$36,900	$0.59	$112.00	$39.00
TC 60%/HH	10	3	2	1,221	$840	$706	$7,060	$0.58	$134.00	$44.00
TC 60%	70	3	2	1,221	$840	$706	$49,420	$0.58	$134.00	$44.00
TC 60%	16	4	2	1,372	$937	$770	$12,320	$0.56	$167.00	$49.00
TOTAL:	252		**AVERAGE:**	1,078		$632	$159,338	$0.59	$118.11	$40.83

INCOME	Total Net Rentable Sq Ft:	271,722	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$1,912,056	$1,912,056	Potter		1
Secondary Income	Per Unit Per Month:	$15.00	45,360	40,536	$13.40	Per Unit Per Month	
Other Support Income:			0	45,480	$15.04	Per Unit Per Month	
POTENTIAL GROSS INCOME			$1,957,416	$1,998,072			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(146,806)	(149,856)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,810,610	$1,848,216			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.36%	$313	0.29	$78,951	$51,350	$0.19	$204	2.78%
Management		3.88%	279	0.26	70,283	73,929	0.27	293	4.00%
Payroll & Payroll Tax		14.19%	1,020	0.95	256,980	252,103	0.93	1,000	13.64%
Repairs & Maintenance		7.37%	530	0.49	133,484	116,820	0.43	464	6.32%
Utilities		4.19%	301	0.28	75,858	53,120	0.20	211	2.87%
Water, Sewer, & Trash		4.07%	292	0.27	73,686	85,080	0.31	338	4.60%
Property Insurance		2.78%	200	0.19	50,372	50,400	0.19	200	2.73%
Property Tax	2.22288	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		3.48%	250	0.23	63,000	63,000	0.23	250	3.41%
TDHCA Compliance Fees		0.56%	40	0.04	10,080	10,080	0.04	40	0.55%
Other: Services/Security		1.14%	82	0.08	20,700	20,700	0.08	82	1.12%
TOTAL EXPENSES		46.03%	$3,307	$3.07	$833,395	$776,582	$2.86	$3,082	42.02%
NET OPERATING INC		53.97%	$3,878	$3.60	$977,215	$1,071,634	$3.94	$4,253	57.98%
DEBT SERVICE									
Citibank First Lien		50.51%	$3,629	$3.37	$914,548	$919,825	$3.39	$3,650	49.77%
City of Amarillo HOME		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		3.46%	$249	$0.23	$62,667	$151,809	$0.56	$602	8.21%
AGGREGATE DEBT COVERAGE RATIO					1.07	1.17			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.96%	$1,022	$0.95	$257,500	$257,500	$0.95	$1,022	0.93%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.98%	12,743	11.82	3,211,293	3,211,293	11.82	12,743	11.62%
Direct Construction		50.21%	53,410	49.53	13,459,251	14,068,327	51.77	55,827	50.88%
Contingency	5.00%	3.11%	3,308	3.07	833,527	868,016	3.19	3,445	3.14%
Contractor's Fees	14.00%	8.71%	9,261	8.59	2,333,876	2,417,851	8.90	9,595	8.75%
Indirect Construction		3.29%	3,501	3.25	882,250	882,250	3.25	3,501	3.19%
Ineligible Costs		3.43%	3,645	3.38	918,585	918,585	3.38	3,645	3.32%
Developer's Fees	15.00%	12.22%	12,995	12.05	3,274,848	3,386,653	12.46	13,439	12.25%
Interim Financing		4.15%	4,413	4.09	1,112,125	1,112,125	4.09	4,413	4.02%
Reserves		1.96%	2,083	1.93	525,000	525,000	1.93	2,083	1.90%
TOTAL COST		100.00%	$106,382	$98.66	$26,808,255	$27,647,600	$101.75	$109,713	100.00%
Construction Cost Recap		*74.00%*	***$78,722***	***$73.01***	***$19,837,947***	***$20,565,487***	***$75.69***	***$81,609***	*74.38%*

SOURCES OF FUNDS						RECOMMENDED	
Citibank First Lien	54.09%	$57,540	$53.36	$14,500,000	$14,500,000	$13,474,000	Developer Fee Available
City of Amarillo HOME	3.73%	$3,968	$3.68	1,000,000	1,000,000	1,000,000	$3,383,374
Apollo HTC Equity	36.34%	$38,659	$35.85	9,742,148	9,742,148	10,059,640	% of Dev. Fee Deferred
Deferred Developer Fees	8.97%	$9,545	$8.85	2,405,453	2,405,453	3,113,960	92%
Additional (Excess) Funds Req'd	-3.13%	($3,331)	($3.09)	(839,346)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$26,808,255	$27,647,600	$27,647,600	$4,224,156

Jason Avenue Residential, Amarillo, 4% HTC #08414

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.19	$14,451,975
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly	0.98%		0.52	142,248
9-Ft. Ceilings	3.00%		1.60	433,559
Elevators	$35,400	2	0.26	70,800
Subfloor			(0.90)	(244,056)
Floor Cover			2.43	660,284
Breezeways/Balconies	$22.27	42,740	3.50	951,820
Plumbing Fixtures	$805	606	1.80	487,830
Rough-ins	$400	252	0.37	100,800
Built-In Appliances	$1,850	252	1.72	466,200
Exterior Stairs	$1,800	72	0.48	129,600
Garages	$18.06	0	0.00	0
Heating/Cooling			1.90	516,272
Carports	$10.15	0	0.00	0
Comm &/or Aux Bldgs	$55.35	10,310	2.10	570,636
Other: fire sprinkler	$1.95	271,722	1.95	529,858
SUBTOTAL			70.91	19,267,826
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.86		(9.93)	(2,697,496)
TOTAL DIRECT CONSTRUCTION COSTS			$60.98	$16,570,330
Plans, specs, survy, bld prm	3.90%		($2.38)	($646,243)
Interim Construction Interes	3.38%		(2.06)	(559,249)
Contractor's OH & Profit	11.50%		(7.01)	(1,905,588)
NET DIRECT CONSTRUCTION COSTS			$49.53	$13,459,251

PAYMENT COMPUTATION

Primary	$14,500,000	Amort	420
Int Rate	5.325%	DCR	1.07

Secondary	$1,000,000	Amort	
Int Rate		Subtotal DCR	1.07

Additional	$9,742,148	Amort	
Int Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$849,836
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$127,379

Primary	$13,474,000	Amort	420
Int Rate	5.33%	DCR	1.15

Secondary	$1,000,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$9,742,148	Amort	0
Int Rate	0.00%	Aggregate DCR	1.1499

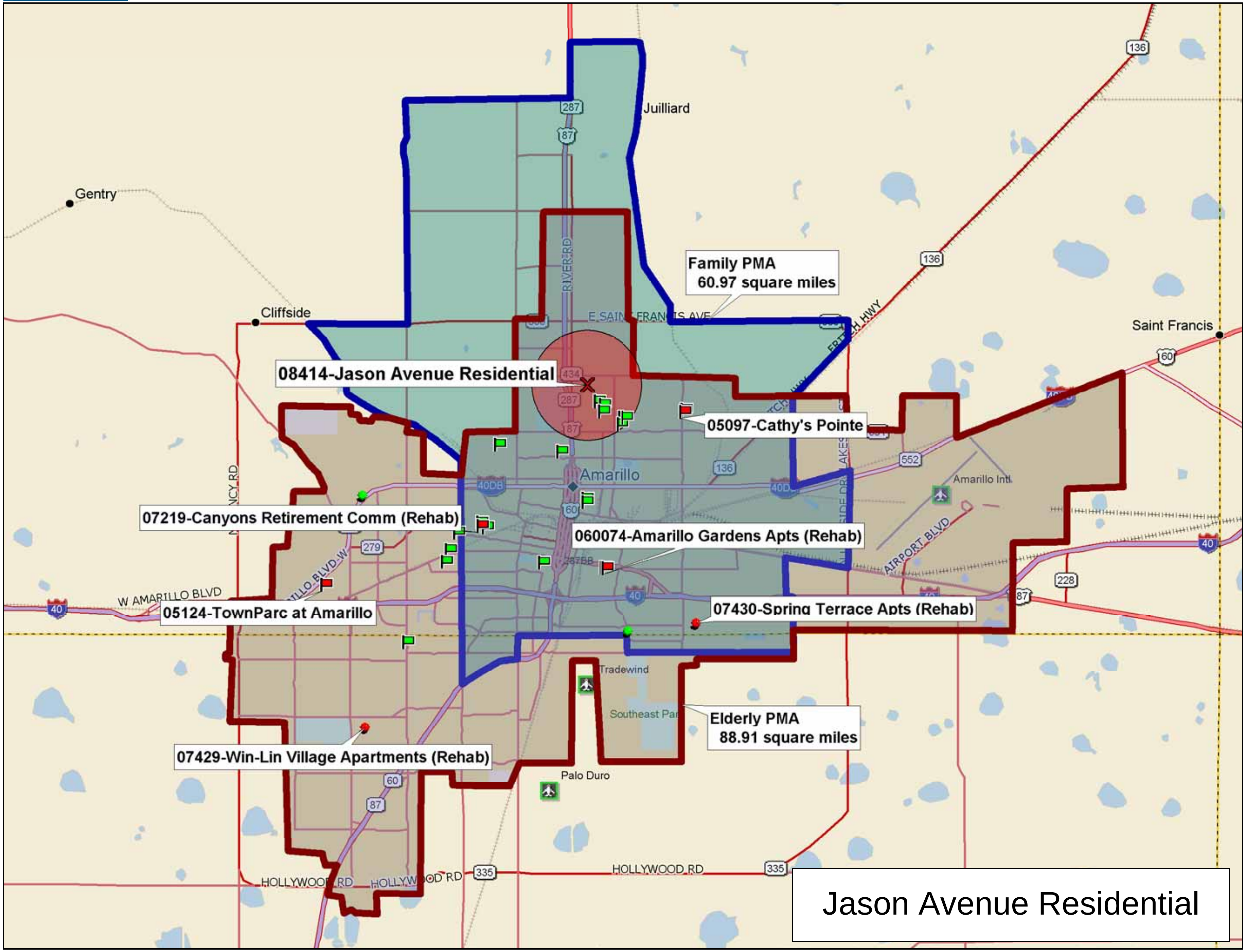
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$1,912,056	$1,969,418	$2,028,500	$2,089,355	$2,152,036	$2,494,799	$2,892,156	$3,352,802	$4,505,885
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,957,416	2,016,138	2,076,623	2,138,921	2,203,089	2,553,984	2,960,767	3,432,341	4,612,779
Vacancy & Collection Loss	(146,806)	(151,210)	(155,747)	(160,419)	(165,232)	(191,549)	(222,058)	(257,426)	(345,958)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,810,610	$1,864,928	$1,920,876	$1,978,502	$2,037,857	$2,362,435	$2,738,710	$3,174,915	$4,266,821
EXPENSES at 4.00%									
General & Administrative	$78,951	$82,109	$85,393	$88,809	$92,361	$112,372	$136,717	$166,338	$246,220
Management	70,283	72,392	74,564	76,801	79,105	91,704	106,310	123,242	165,628
Payroll & Payroll Tax	256,980	267,259	277,949	289,067	300,630	365,762	445,006	541,418	801,431
Repairs & Maintenance	133,484	138,824	144,377	150,152	156,158	189,990	231,151	281,231	416,291
Utilities	75,858	78,892	82,047	85,329	88,743	107,969	131,361	159,820	236,573
Water, Sewer & Trash	73,686	76,634	79,699	82,887	86,203	104,879	127,601	155,246	229,802
Insurance	50,372	52,387	54,483	56,662	58,928	71,695	87,228	106,127	157,094
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	$833,395	$866,028	$899,945	$935,197	$971,837	$1,177,849	$1,427,772	$1,731,003	$2,545,506
NET OPERATING INCOME	$977,215	$998,900	$1,020,931	$1,043,305	$1,066,020	$1,184,586	$1,310,938	$1,443,912	$1,721,315
DEBT SERVICE									
First Lien Financing	$849,836	$849,836	$849,836	$849,836	$849,836	$849,836	$849,836	$849,836	$849,836
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	$127,379	$149,064	$171,095	$193,469	$216,184	$334,750	$461,102	$594,076	$871,479
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.25	1.39	1.54	1.70	2.03

HTC ALLOCATION ANALYSIS -Jason Avenue Residential, Amarillo, 4% HTC #08414

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$257,500	$257,500		
Purchase of buildings				
Off-Site Improvements				
Sitework	$3,211,293	$3,211,293	$3,211,293	$3,211,293
Construction Hard Costs	$14,068,327	$13,459,251	$14,068,327	$13,459,251
Contractor Fees	$2,417,851	$2,333,876	$2,417,851	$2,333,876
Contingencies	$868,016	$833,527	$863,981	$833,527
Eligible Indirect Fees	$882,250	$882,250	$882,250	$882,250
Eligible Financing Fees	$1,112,125	$1,112,125	$1,112,125	$1,112,125
All Ineligible Costs	$918,585	$918,585		
Developer Fees			$3,383,374	
Developer Fees	$3,386,653	$3,274,848		$3,274,848
Development Reserves	$525,000	$525,000		
TOTAL DEVELOPMENT COSTS	$27,647,600	$26,808,255	$25,939,201	$25,107,170

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$25,939,201	$25,107,170
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$33,720,961	$32,639,321
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$33,720,961	$32,639,321
Applicable Percentage		3.51%	3.51%
TOTAL AMOUNT OF TAX CREDITS		$1,183,606	$1,145,640
Syndication Proceeds	**0.8499**	**$10,059,640**	**$9,736,965**
	Total Tax Credits (Eligible Basis Method)	**$1,183,606**	**$1,145,640**
	Syndication Proceeds	**$10,059,640**	**$9,736,965**
	Requested Tax Credits	**$1,208,394**	
	Syndication Proceeds	**$10,270,319**	
	Gap of Syndication Proceeds Needed	**$13,173,600**	
	Total Tax Credits (Gap Method)	**$1,549,991**	



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TN
MN (7.3°E)

Scale 1 : 150,000
1" = 2.37 mi
Data Zoom 10-4

Applicant Evaluation

Project ID **08414** Name **Jason Avenue Residential** City: **Amarillo**

HTC 9% ☐ HTC 4% ☑ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Total # of MF awards not yet monitored or pending review: 5

SF Contract Experience ☐ Yes ☑ No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes ☐ **No** ☑

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 3

10-19: 1

20-29: 0

Total monitored with a score 0-29: 4

Completed by: J. Taylor Reviewer: Wendy Quackenbush

Date 5/5/2008 Date 5/9/2008

Single Audit

☑ Single audit review not applicable

☐ Single audit review found no unresolved issues

☐ Late single audit certification form (see comments

☐ Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 5/9/2008

Comments (if applicable):

Financial Administration
Loan Servicing

☑ No delinquencies found ☐ Delinquencies found (see comments)

Reviewer Candace Christiansen Date 5 /7 /2008

Comments (if applicable):

Financial Administration
Financial Services

☑ No delinquencies found ☐ Delinquencies found (See Comments)

Reviewer Monica Guerra Date 5 /19/2008

Comments (if applicable):

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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MULTIFAMILY FINANCE PRODUCTION DIVISION

Variable Rate Demand Multifamily Housing Revenue Refunding Bonds Series 2008

Addison Park Apartments
4901 Pacific Drive
Arlington, Texas

Arlington Partners, L.P.
224 Units
$14,000,000 Tax Exempt – Series 2008

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of the Variable Rate Demand Multifamily Housing Mortgage Revenue Refunding Bonds Series 2008 for the Addison Park Apartments.

Requested Action

Approve, Amend or Deny with Amendments the refunding of Addison Park Apartments.

Summary of the Addison Park Apartments Transaction

Background and General Information: The bonds for the Addison Park Apartments were originally issued through TDHCA in January of 2004. The original tax-exempt bond amount was $14,000,000. The original financing structure included publicly offered bonds with Red Stone Partners, LLC providing the permanent mortgage and Compass Bank the credit enhancement. The initial interest rate was 3.75%. At conversion there would be a mandatory tender of the bonds and they would then be remarketed to a fixed rate.

The applicant is requesting the Department's approval to refund or essentially retire the original bonds and issue new bonds under a different financing structure. Under this new structure, Freddie Mac will step in and replace Compass Bank as the credit enhancer. In doing so, the bonds will be AAA rated and payments to the bondholders will be guaranteed. The original Letter of Credit ("LOC") from Compass Bank is a recourse obligation of the Borrower, its general partner, and the principals of the general partner and will expire in June of 2008. Although limited extensions have been granted, Compass Bank is not willing to extend the LOC indefinitely and ultimately will place the Borrower and its principals in default with Compass Bank if the LOC is not replaced or repaid.

MMA Financial, Inc, an approved Freddie Mac lender, will assume the permanent mortgage which was originally committed through RedStone Partners, LLC. They will provide non-recourse Freddie Mac credit enhancement of Refunding Bonds which will satisfy its obligations to Compass Bank. The Refunding Bonds will be in variable rate interest mode but will then be fixed pursuant to an interest rate swap agreement which is explained in more detail below.

When this transaction closed in 2004 it was contemplated that at the time of conversion they might reconsider going with RedStone for the permanent debt. In the underwriting analysis refunding the original bonds has produced a financially stronger transaction and the original commitment from RedStone is not as favorable compared to what MMA Financial, Inc. is able to provide. In changing to this structure, the transaction will have a 35 year amortization instead of 30; meet a debt coverage ratio of 1.15 instead of 1.20 and will not require the Applicant to produce an approximate $3 million shortfall resulting in a 100% deferral of their developer fee. In addition, the original structure would call for fixed rate long term bonds once remarketed which there is currently not a market for right now. The refunding will create a more favorable alternative that will limit the stress to the property and will allow the property to continue to perform and meet the needs of its residents.

Organizational Structure and Compliance: The Borrower is Arlington Partners, L.P. and the General Partner is Jan-TX IV, LLC; with its sole member being Southeast Development, LLC which is comprised of J.H. Thames, Jr. and Rodney F. Triplett, Jr. each with 50% ownership. The Compliance Status Summary completed on June 16, 2008 reveals that the principals of the general partner have received five (5) multifamily awards that have no material noncompliance.

Public Hearing: The original bond maturity is not being changed; therefore, a TEFRA public hearing is not required.

Census Demographics: The site is located at 4901 Pacific Drive, Tarrant County. Demographics for the census tract (1114.01) include AMFI of $102,856; the total population is 8,664; the percent of the population that is minority is 17.64%; the number of owner occupied units is 2,547; number of renter occupied units is 205; and the number of vacant units is 116. (Census Information from FFIEC Geocoding for 2007).

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of variable rate tax-exempt bonds in an amount not to exceed $14,000,000. The term and amortization of the Bonds is 35 years. The underwriting interest rate is estimated at 5.15% which includes 3.62% for the Swap rate, 0.03% for the trustee fee, 0.10% for the Issuer's administration fee, 0.10% remarketing fee, 0.89% Freddie Mac credit enhancement fee, and 0.41% servicing fee.

There will be a Swap Agreement between the Borrower and the swap provider which has not yet been identified. Additionally, there will be a Swap Credit Enhancement Agreement between Freddie Mac and the swap provider. It is anticipated that the Swap will be bid out after receiving Bond Review Board approval. The Department will not be a party to either one of these agreements. The Swap Credit Enhancement Agreement provides that, to the extent the Borrower does not make its fixed rate payment under the Swap Agreement, Freddie Mac will do so. The Swap Agreement will provide payment to the Borrower of a variable rate based on SIFMA applied to a notional amount corresponding to the principal amount of the Bond loan. The Borrower's obligations under the Swap Agreement, which are guaranteed by Freddie Mac under the Swap Credit Enhancement Agreement are not secured by a mortgage. The Borrower's obligation to pay Freddie Mac for any sums advanced by Freddie Mac under the Swap Credit Enhancement Agreement is secured by the second lien reimbursement mortgage in favor of Freddie Mac.

Recommendation

Staff recommends the Board approve the Variable Rate Demand Multifamily Housing Mortgage Revenue Refunding Bonds Series 2008 Addison Park Apartments in an amount not to exceed $14,000,000.

RESOLUTION NO. 08-023

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE REFUNDING BONDS (ADDISON PARK APARTMENTS) SERIES 2008; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development, construction and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the Department has previously issued its Multifamily Housing Adjustable/Fixed Rate Revenue Bonds (Addison Park Apartments) Series 2004 in the aggregate principal amount of $14,000,000 (the "Prior Bonds") pursuant to a Trust Indenture dated as of January 1, 2004 by and between the Department and Wells Fargo Bank, National Association, a national banking association; proceeds of the Prior Bonds were used to provide financing for the acquisition, construction and equipping of a 224-unit multifamily rental housing development located in Arlington, Tarrant County, Texas known as the "Addison Park Apartments," described in Exhibit A attached hereto (the "Development"); and

WHEREAS, Arlington Partners, L.P. (the "Borrower"), a Mississippi limited partnership, has requested that the Department refinance the Development; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Addison Park Apartments) Series 2008 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to refinance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to the Borrower, in order to refund the Prior Bonds which were issued in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Bond Mortgage Loan") to the Borrower to enable the Borrower to refund the Prior Bonds and thereby refinance the Development, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Bond Mortgage Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds will be provided for by a Credit Enhancement Agreement between Federal Home Loan Mortgage Corporation (the "Credit Facility Provider") and the Trustee; and

WHEREAS, it is anticipated that the Bond Mortgage Note will be secured by a Bond Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing (the "Bond Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Bond Mortgage Loan (except for certain unassigned rights), including the Bond Mortgage Note and the Bond Mortgage, will be assigned to the Trustee, and the exercise of rights thereunder will be governed by an Intercreditor Agreement (the "Intercreditor Agreement") among the Department, the Trustee and the Credit Facility Provider; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute an Amended and Restated Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Tarrant County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the authorized representatives of the Department to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement") for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower and Merchant Capital, L.L.C. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the

Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Intercreditor Agreement, the Regulatory Agreement, the Preliminary Official Statement, the Bond Purchase Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Bond Mortgage and the Bond Mortgage Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Bond Mortgage and the Bond Mortgage Note and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser or purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chairman or Vice Chair of the Board or the Executive Director or Acting Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chair of the Board or the Executive Director or Acting Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.00%; (ii) the aggregate principal amount of the Bonds shall not exceed $14,000,000; (iii) the final maturity of the Bonds shall occur not later than January 1, 2044; and (iv) the price at which the Bonds are sold to the initial purchaser thereof under the Bond Purchase Agreement shall not exceed 100% of the principal amount thereof.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Financing Agreement. That the form and substance of the Financing Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Financing Agreement and deliver the Financing Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Tarrant County, Texas.

Section 1.6--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower, the Underwriter and any other party to the Bond Purchase Agreement, as appropriate.

Section 1.7--Acceptance of the Bond Mortgage Note and Bond Mortgage. That the form and substance of the Bond Mortgage Note and Bond Mortgage are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Bond Mortgage Note to the order of the Trustee without recourse.

Section 1.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Intercreditor Agreement and to deliver the Intercreditor Agreement to the Trustee and the Credit Facility Provider.

Section 1.9-- Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use, distribution and circulation by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and Vice Chairman of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Bonds and to deem the same as "final" for purposes of the aforementioned Rule 15c2-12; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the use, distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Contract and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.10--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.11--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.12--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Indenture
Exhibit C	-	Financing Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Bond Purchase Agreement
Exhibit F	-	Bond Mortgage
Exhibit G	-	Bond Mortgage Note
Exhibit H	-	Intercreditor Agreement
Exhibit I	-	Preliminary Official Statement
Exhibit J	-	Asset Oversight Agreement

Section 1.13--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.14--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chair of the Board, Executive Director or Acting Executive Director of the Department, Deputy Executive Director of Programs of the Department, Deputy Executive Director of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Development.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director or Acting Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.5--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.6--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Merchant Capital, L.L.C.

Section 2.7--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached to the Regulatory Agreement and shall be annually redetermined by the Issuer.

Section 2.9--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Financing Agreement and the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Bond Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing the costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

(d) Potential Savings. The Board has determined that the proposed refunding is in the best interest of the Department and will provide a potential savings in debt payable by the Department. The manner in which the Prior Bonds are being refunded does not make it practicable to make the determination required by Section 1207.008, Texas Government Code.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Regulatory Agreement.

Section 3.3--Sufficiency of Bond Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Bond Mortgage Loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapters 33 and 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting;

that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 26th day of June, 2008.

[SEAL]

By:____________________________________
C. Kent Conine, Chairman

Attest:____
Kevin Hamby, Secretary to the Governing Board

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: Arlington Partners, LP, a Mississippi limited partnership

Development: The Development is a 224-unit multifamily facility known as Addison Park which was constructed in 2004 and located at 6550 US Highway 287, Arlington, Tarrant County, TX, 76060. It consists of 10 three-story residential apartment buildings and 1 clubhouse with approximately 241,016 net rentable square feet with an average unit size of approximately 1,076 square feet all located on a 12.5 acre site. The unit mix consists of:

24	one-bedroom/one-bath units
116	two-bedroom/two-bath units
84	three-bedroom/two-bath units
224	Total Units

Unit sizes range from approximately 783 square feet to approximately 1,248 square feet.

Common area amenities include gated access, a clubhouse, business center, barbecue area, playground, laundry facility, pools, fitness room and leasing office. All units have central heating and air conditioning, carpeting and vinyl tile, ceiling fans, mini-blinds, a dishwasher, a range and oven, and a balcony/patio. 224 carport parking spaces are provided along with an additional 184 surface parking spaces.

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Addison Park Apartments, TDHCA Number 08613

BASIC DEVELOPMENT INFORMATION

Site Address:	4901 Pacific Drive			Development #:	08613
City:	Arlington	Region:	3	Population Served:	General
County:	Tarrant	Zip Code:	76001	Allocation:	Rural

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General

Purpose/Activity:

Bond Issuer: TDHCA

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:	Arlington Partners, L.P.	
Owner Contact and Phone	Mark Wilson	(601) 321-7655
Developer:	Tri-Park, LLC	
Housing General Contractor:	Unicorp, LLC	
Architect:	Humphreys & Partners	
Market Analyst:	Jack Poe Company	
Syndicator:	Paramount Financial Group	
Supportive Services:	Mississippi Housing and Community Services	
Consultant:	MMA Financial, Inc.	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	224	0	24	116	84	0	0

Type of Building:

☐ Duplex

☐ Triplex

☐ Fourplex

☐ 4 units or more per building

☐ Detached Residence

☐ Single Room Occupancy

☐ Transitional

☐ Townhome

Total Restricted Units:	224
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	224
Total Development Cost:	$20,073,289
Number of Residential Buildings:	10
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$0	$0	0	0	0%
TDHCA Bond Allocation Amount:	$14,000,000	$14,000,000	35	35	5.15%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
June 26, 2008
Development Information, Public Input and Board Summary

Addison Park Apartments, TDHCA Number 08613

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Brimer, District 10 NC
US Representative: Barton, District 6,
TX Representative: Zedler, District 96 NC
US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: NC
Resolution of Support from Local Government ☐

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Addison Park Apartments, TDHCA Number 08613

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: $14,000,000

Recommendation: Staff has evaluated the financial feasibility of the requested refunding. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines if approved. Staff recommends approval of the requested refunding of the existing bonds and issuance of $14,000,000 in tax-exempt mortgage revenue bonds with a variable interest rate underwritten at 5.150% and repayment term and amortization period of 35 years. The development has satisfied all previous conditions and is currently completing the Cost Certification proces

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

Addison Park Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2008 Tax-Exempt Bond Proceeds	$ 14,000,000
Accrued Interest	25,732
Borrower Funds	655,700
Total Sources	$ 14,681,432

Uses of Funds	
Original Bond Issuance Series 2004	$ 14,000,000
Direct Bond Related	252,010
Bond Purchase Costs	387,422
Real Estate Closing Costs	42,000
Total Uses	$ 14,681,432

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 70,000
TDHCA Application Fee	10,000
TDHCA Bond Administration Fee	14,000
TDHCA Bond Compliance Fee ($40 per unit)	8,960
TDHCA Bond Counsel and Direct Expenses (Note 1)	85,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Trustee Fee	8,550
Trustee's Counsel (Note 1)	6,000
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Total Direct Bond Related	$ 252,010

Addison Park Apartments

Bond Purchase Costs		
Underwriter Fee		35,000
Underwriter's Counsel		36,000
Borrower's Financial Advisor		35,000
Borrower's Counsel Fee		30,000
Lender Origination Fee		140,000
Lender Counsel Fee		20,000
Freddie Mac Application Fee		13,400
Freddie Mac Counsel Fee		42,500
Rating Agency		10,000
OS Printing/Mailing		3,750
Miscellaneous		21,772
Total Bond Purchase Costs	$	387,422

Real Estate Closing Costs		
Title Premium and Recording		42,000
Total Real Estate Costs	$	42,000
Estimated Total Costs of Issuance	$	681,432

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

REPORT DATE: 06/18/08 PROGRAM: 4% HTC / Bond FILE NUMBER: **08613/03461**

DEVELOPMENT

Addison Park Apartments

Location: 4901 Pacific Drive Region: 3

City: Arlington County: Tarrant Zip: 76001 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, Urban, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Private Activity Mortgage Revenue Bonds	$14,000,000	5.15%	35 years	**$14,000,000**	**5.15%**	**35 years**
Housing Tax Credit (Annual)*	$577,362			**$577,362**		

*The original tax credit request and recommendation was $620,571

RECOMMENDATION

Staff has evaluated the financial feasibility of the requested refunding. Based on the revised information provided, the transaction would meet the Department's 2008 Real Estate Analysis Rules and Guidelines if approved. Staff recommends approval of the requested refunding of the existing bonds and issuance of $14,000,000 in tax-exempt mortgage revenue bonds with a variable interest rate underwritten at 5.15% and repayment term and amortization period of 35 years. The development has satisfied all previous conditions and is currently completing the Cost Certification process.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	224

PROS

- The proposed refunding will enable a current development in the Department's portfolio to remain financially feasible.

CONS

BOND REFUNDING ANALYSIS

This addendum fully evaluates the effects of the requested changes on the financial viability of the transaction and the tax credit allocation. Only those portions of the report that are materially affected are addressed below. This addendum should be read as an addition to the original underwriting report.

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The Applicant originally received $14,000,000 in tax-exempt bonds issued by TDHCA and a tax credit allocation of $620,571 in 2004 under application number 03461. The bonds were privately placed with Red Stone Partners for a term and amortization period of 30 years at a variable interest rate initially underwritten at 6%. The interest rate was to be fixed using an interest rate swap or cap. The terms of the original agreement with Red Stone Partners also required a 1.20 debt coverage ratio (DCR) for loan conversion.

Using income and expense estimates provided by the Applicant, the Underwriter performed an analysis to determine the amount of the loan under the original terms from Red Stone Partners. Assuming a required minimum DCR of 1.15 consistent with Department underwriting guidelines, the original structure would result in a resize of $1,991,493 upon loan conversion, reducing bond proceeds to $12,008,507, and causing a gap of $3,324,619. While this amount of deferred fees is technically repayable from cash flow, the amount is more than the developer fee that is available. As a result the Developer would need to contribute $1,135,429 in addition to refunding any paid developer fee and deferring 100% of the fee or render the development infeasible. Assuming a required DCR of 1.20, consistent with the terms of the Red Stone Partners commitment, a larger resize of $2,493,833 would be required, reducing bond proceeds to $11,506,167, and requiring an additional contribution of $1,637,769 in addition to refunding paid developer fee and deferring 100% of the fee. The Applicant has secured a commitment from MMA Financial that allows the bonds to convert at the full $14,000,000 originally issued by providing more favorable financing terms.

Therefore, to avoid the resize of the loan and significant cash call, the Applicant is requesting approval from the Department to refund the existing bonds and reissue bonds in the originally issued amount of $14,000,000 for placement with MMA Financial. The reissued bonds will have a variable interest rate, which will be fixed utilizing an interest rate swap with an estimated interest rate of 5.15%, which includes a 3.62% swap rate plus a 1.53% fee stack. The term and amortization period will be 35 years, and the required DCR for loan conversion will be 1.15. The bonds will be credit enhanced by the Federal Home Loan Mortgage Corporation ("Freddie Mac").

The requested refunding and issuance of new bonds does not result in the use of any additional bond volume cap because the amount to be issued under a new series is equal to the amount of bonds originally issued to the development. In addition, the original Red Stone financing structure contemplated a remarketing of the bonds following the completion of construction. However, because of changes to market conditions, more favorable financing is now available from a different lender, resulting in the need to refund and reissue the original bonds to achieve an equivalent to the remarketing originally contemplated under the Red Stone financing structure.

The purpose of this analysis is to determine whether the development is financially feasible as a result of the requested refunding. The Applicant has submitted a Cost Certification for the development, which is currently under review by Department staff. Because the allocation of housing tax credits has not been finalized, this analysis will also make a recommendation regarding the amount of the housing tax credit allocation. The Applicant has reduced their tax credit request by $43,209 because the total eligible costs experienced were less than originally anticipated as was the applicable percentage.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2008

The Applicant's potential rents were calculated by subtracting tenant paid utility allowances from gross rents which are lower than 2008 program gross rent limits. On May 30, 2008, the Applicant received Department approval to utilize a utility allowance for electricity derived from a local utility provider estimate from Cirro Energy. This resulted in a reduction of the utility allowance from the previously used Arlington Housing Authority (Arlington HA) estimate of $28 for 1 bedroom units, $39 for 2 bedroom units, and $53 for 3 bedroom units. Utility allowances from the Arlington HA were originally used in the Applicant's rent schedule, but the new utility allowances approved by the Department were utilized in a revised rent schedule.

The Applicant is not proposing to increase the rents charged to the tenants by the amount of the reduction in electric utility allowance, which would allow rent increases of $28-$53, but has instead chosen to increase rents from what was originally proposed using Arlington HA utility allowances by $14 for 1 bedroom units, and $15 for 2 and 3 bedroom units. The Applicant is in the process of implementing these smaller rent increases than what is allowable. If the full amount of the potential rent increase was adopted, an additional $86,592 in gross income could be achieved however the total would still be $16,944 less than what was forecast when the development was originally underwritten.

The Applicant is using the Arlington Housing Authority's estimate for water and sewer allowances, which the tenant pays in addition to electricity. Estimated secondary income of $40,320 is equal to the Department's standard of $15 per unit per month limit, and as such is considered reasonable. Vacancy losses are also within Department guidelines. The Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/11/2008

The Applicant's total operating expense estimate of $3,973 per unit is 4% lower than the Underwriter's estimate of $4,137 per unit derived from the TDHCA database, IREM data, and the development's actual operating statements. The Underwriter relied on actual operations to estimate water, sewer, trash expense, resulting in an expense estimate 17% higher than the Applicant's. In addition, the Underwriter estimated property tax using the current tax rate from Tarrant Appraisal District and the proposed 2008 property value, resulting in a property tax expense estimate that is 8% higher than the Applicant's. Despite differences between the Applicant and Underwriter's expense estimates, the Applicant's total expenses are within 5% of the Underwriter's estimates, and both the Applicant's and Underwriter's expense to income ratios are below 50%, which is well below the Department's 65% limit.

The Applicant's estimated annual debt service payment, $772,800, is 11% lower than the Underwriter's estimate of $864,015. This is because the Applicant calculated debt service using a simple calculation of the annual interest on the bonds, while the Underwriter's estimate included debt service based on the fully amortized payment at the lender's committed terms.

Conclusion:

The Applicant's estimates of effective gross income, total operating expenses, and net operating income are within 5% of the Underwriter's; therefore, the Applicant's year one proforma is 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% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense, and net operating income were utilized resulting in a debt coverage ratio that remains at or 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.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

Conclusion

Sitework costs have increased by 11% since original underwriting and are presented at $7,762 per unit. This amount is greater than the $7,500 per unit limit in place when the development was originally awarded in 2004; however, sitework costs are less than the 2008 limit of $9,000 per unit, and as such are within 2008 guidelines.

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The Applicant's direct construction costs are slightly more than 5% greater than at original underwriting which can be accounted for by the 5% contingency in the original application that is not included in a cost certification "actual" development cost schedule. Moreover, the Applicant's total construction costs are within 5% of total construction costs at original underwriting; therefore, the Applicant's construction costs will be used to determine the eligible basis and gap-driven amounts of housing tax credit allocation.

FINANCING STRUCTURE

SOURCES & USES

Issuer: TDHCA

Source: MMA Financial   Type: **Permanent Bond Financing**

Tax-Exempt: $14,000,000   Interest Rate: 5.15%   Synth. Fixed   Amort: 420 months

Comments:

The 5.15% interest rate includes a 3.62% swap rate, plus a fee stack of 1.53%, which includes a 0.03% trustee fee, 0.1% issuer fee, 0.1% remarketing agent fee, 0.66% credit facility fee, 0.15% liquidity facility fee, 0.08% swap credit enhancement fee, and 0.41% servicing spread. The actual index is much less than the 3.62% maximum swap rate, currently trading at 1.48%. The term of the initial swap will be 10 years from the issuance date of the bonds.

Source: Capmark Affordable Equity   Type: **Syndication**

Proceeds: $4,910,986   Syndication Rate: 82%   Anticipated HTC: $ 598,169

Amount: $1,162,304   Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant has anticipated $4,910,986 in syndication proceeds based on a syndication rate of 82% and annual anticipated tax credits of $598,169. This amount of syndication proceeds is supported by the total capital contributions by the investor identified in the Limited Partnership Agreement. The Applicant has only requested $577,362 in tax credits, however. Therefore, the Underwriter estimates total syndication proceeds to be $4,740,163 based on a syndication rate of 82% and $577,362 in annual tax credits. This reduction in syndication proceeds results in an additional $170,822 of developer fee being deferred.

The Applicant’s total development cost estimate less the permanent loan of $14,000,000 indicates the total need for $6,073,289 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $739,740 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant’s request, $577,362, the gap-driven amount, $739,740, and eligible basis-derived estimate, $577,362, the Applicant's request/eligible basis-derived estimate of $577,362 is recommended resulting in proceeds of $4,740,163 based on a syndication rate of 82%.

The Underwriter’s recommended financing structure indicates the need for $1,333,126 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation.

Underwriter: ____________________ Date: June 18, 2008
Audrey Martin

Reviewing Underwriter: ____________________ Date: June 18, 2008
Cameron Dorsey

Director of Real Estate Analysis: ____________________ Date: June 18, 2008
Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Addison Park Apartments, Arlington, 4% HTC / Bond #08613/03461

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 60%	24	1	1	783	$726	$605		$14,520	$0.77	$107.00	$11.00
TC 60%	116	2	2	1,012	871	$719		$83,404		$126.00	$11.00
TC 60%	84	3	3	1,248	1008	$814		$68,376		$148.00	$11.00
TOTAL:	224		**AVERAGE:**	1,076		$742		$166,300	$0.69	$132.21	$11.00

INCOME	Total Net Rentable Sq Ft:	241,016			**TDHCA-Refunding**	**TDHCA-Orig.**	**APP-Orig.**	**APP-CC**	**APPLICANT-Refunding**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$1,995,600	$2,099,136	$2,099,136	$1,966,128	$1,995,600	Tarrant		3
Secondary Income			Per Unit Per Month:	$15.00	40,320	40,320	40,320	58,164	40,320	$15.00	Per Unit Per Month	
Other Support Income:					0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$2,035,920	$2,139,456	$2,139,456	$2,024,292	$2,035,920			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(152,694)	(160,459)	(160,464)	(151,824)	(152,700)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0	0	0	0			
EFFECTIVE GROSS INCOME					$1,883,226	$1,978,997	$1,978,992	$1,872,468	$1,883,220			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT						PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.34%	$449	0.42	$100,495	$74,096	$47,440	$67,232	$96,900	$0.40	$433	5.15%
Management		4.00%	336	0.31	75,329	98,950	98,950	69,232	75,000	0.31	335	3.98%
Payroll & Payroll Tax		12.11%	1,019	0.95	228,149	200,032	197,120	196,706	222,500	0.92	993	11.81%
Repairs & Maintenance		4.63%	390	0.36	87,272	93,660	89,400	63,434	82,600	0.34	369	4.39%
Utilities		1.79%	151	0.14	33,755	54,958	34,653	31,015	35,900	0.15	160	1.91%
Water, Sewer, & Trash		2.86%	240	0.22	53,794	102,675	9,027	78,036	44,900	0.19	200	2.38%
Property Insurance		3.33%	280	0.26	62,693	45,793	42,336	60,032	65,000	0.27	290	3.45%
Property Tax	2.642887	11.63%	978	0.91	219,102	182,496	226,688	180,559	201,000	0.83	897	10.67%
Reserve for Replacements		2.38%	200	0.19	44,800	44,800	45,000	44,800	44,800	0.19	200	2.38%
TDHCA Compliance Fees		0.48%	40	0.04	8,960	9,008	9,008	19,508	8,960	0.04	40	0.48%
Other: Mgmt Company Compliance Fee		0.36%	30	0.03	6,720	0	0	0	6,720	0.03	30	0.36%
Other: TSAHC Asset Oversight		0.30%	25	0.02	5,600	0	0	0	5,600	0.02	25	0.30%
TOTAL EXPENSES		49.21%	$4,137	$3.84	$926,669	$906,468	$799,622	$810,554	$889,880	$3.69	$3,973	47.25%
NET OPERATING INC		50.79%	$4,270	$3.97	$956,557	$1,072,529	$1,179,370	$1,061,914	$993,340	$4.12	$4,435	52.75%
DEBT SERVICE												
First Lien Mortgage		45.88%	$3,857	$3.58	$864,015	$1,007,245	$961,851	$956,951	$772,800	$3.21	$3,450	41.04%
Trustee Fee		0.00%	$0	$0.00	0	3,500	0	0	0	$0.00	$0	0.00%
TDHCA Admin Fees		0.00%	$0	$0.00	0	14,000	0	0	0	$0.00	$0	0.00%
Asset Oversight Fees		0.00%	$0	$0.00	0	3,360	0	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.91%	$413	$0.38	$92,543	$44,424	$217,519	$104,963	$220,540	$0.92	$985	11.71%
AGGREGATE DEBT COVERAGE RATIO					1.11	1.04	1.23	1.11	1.29			
RECOMMENDED DEBT COVERAGE RATIO						1.10			1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA-Refunding**	**TDHCA-Orig.**	**APP-Orig.**	**APP-CC**	**APPLICANT-Refunding**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.01%	$5,400	$5.02	$1,209,645	$1,111,760	$1,111,760	$1,209,915	$1,209,915	$5.02	$5,401	6.03%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0.00	0	0.00%
Sitework		8.64%	7,762	7.21	1,738,624	1,561,000	1,561,000	1,738,624	1,738,624	7.21	7,762	8.66%
Direct Construction		48.16%	43,270	40.22	9,692,508	9,206,796	9,556,340	9,692,509	9,692,508	40.22	43,270	48.29%
Contingency	0.00%	0.00%	0	0.00	0	522,906	522,906		0	0.00	0	0.00%
Contractor's Fees	13.97%	7.94%	7,129	6.63	1,596,885	1,507,492	1,556,426	1,596,885	1,596,885	6.63	7,129	7.96%
Indirect Construction		5.90%	5,297	4.92	1,186,600	880,107	880,107	1,186,600	1,186,600	4.92	5,297	5.91%
Ineligible Costs		9.22%	8,284	7.70	1,855,583	729,798	729,798	1,855,583	1,855,583	7.70	8,284	9.24%
Developer's Fees	15.00%	10.88%	9,773	9.08	2,189,190	2,221,334	2,273,508	2,189,190	2,189,190	9.08	9,773	10.91%
Interim Financing		1.89%	1,696	1.58	379,984	1,130,595	1,130,595	379,984	379,984	1.58	1,696	1.89%
Reserves		1.37%	1,227	1.14	274,879	444,579	179,200	224,000	224,000	0.93	1,000	1.12%
TOTAL COST		100.00%	$89,839	$83.50	$20,123,898	$19,316,367	$19,501,640	$20,073,290	$20,073,289	$83.29	$89,613	100.00%
Construction Cost Recap		*64.74%*	***$58,161***	***$54.05***	***$13,028,017***	***$12,798,194***	***$13,196,672***	***$13,028,018***	***$13,028,017***	***$54.05***	***$58,161***	*64.90%*

SOURCES OF FUNDS

										RECOMMENDED	
First Lien Mortgage	69.57%	$62,500	$58.09	$14,000,000	$14,000,000	$14,000,000	$14,000,000	$14,000,000		$14,000,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0		0	$2,189,190
HTC Syndication Proceeds	23.55%	$21,161	$19.67	4,740,163	4,810,980	4,810,980	4,732,015	4,910,986		4,740,163	% of Dev. Fee Deferred
Deferred Developer Fees	5.78%	$5,189	$4.82	1,162,304	690,660	690,660	1,341,275	1,162,304		1,333,126	61%
Additional (Excess) Funds Req'd	1.10%	$989	$0.92	221,430	(185,273)	0	0	(1)		0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$20,123,898	$19,316,367	$19,501,640	$20,073,290	$20,073,289		$20,073,289	$3,637,181

Addison Park Apartments, Arlington, 4% HTC / Bond #08613/03461

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				$0
Adjustments				
Exterior Wall Finish			$0.00	$0
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(2.47)	(595,310)
Floor Cover			2.43	585,669
Breezeways/Balconies	$22.27		0.00	0
Plumbing Fixtures	$805		0.00	0
Rough-ins	$400		0.00	0
Built-In Appliances	$1,850	224	1.72	414,400
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	($9.92)		0.00	0
Heating/Cooling			1.90	457,930
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	$1.95	241,016	1.95	469,981
SUBTOTAL			5.53	1,332,671
Current Cost Multiplier	0.98		(0.11)	(26,653)
Local Multiplier			(5.53)	(1,332,671)
TOTAL DIRECT CONSTRUCTION COSTS			($0.11)	($26,653)
Plans, specs, survy, bld prmts	3.90%		$0.00	$1,039
Interim Construction Interest	3.38%		0.00	900
Contractor's OH & Profit	11.50%		0.01	3,065
NET DIRECT CONSTRUCTION COSTS			($0.09)	($21,649)

PAYMENT COMPUTATION

Primary	$14,000,000	Amort	420
Int Rate	5.15%	DCR	1.11
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.11
Additional		Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$864,015
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$129,325

Primary	$14,000,000	Amort	420
Int Rate	5.15%	DCR	1.15
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	$0	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		$1,995,600	$2,055,468	$2,117,132	$2,180,646	$2,246,065	$2,603,805	$3,018,524	$3,499,297	$4,702,762
Secondary Income		40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,035,920	2,096,998	2,159,908	2,224,705	2,291,446	2,656,414	3,079,512	3,569,998	4,797,779
Vacancy & Collection Loss		(152,700)	(157,275)	(161,993)	(166,853)	(171,858)	(199,231)	(230,963)	(267,750)	(359,833)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$1,883,220	$1,939,723	$1,997,914	$2,057,852	$2,119,587	$2,457,183	$2,848,548	$3,302,248	$4,437,945
EXPENSES at	4.00%									
General & Administrative		$96,900	$100,776	$104,807	$108,999	$113,359	$137,919	$167,799	$204,154	$302,197
Management		75,000	77,250	79,568	81,955	84,413	97,858	113,445	131,513	176,743
Payroll & Payroll Tax		222,500	231,400	240,656	250,282	260,294	316,687	385,298	468,774	693,900
Repairs & Maintenance		82,600	85,904	89,340	92,914	96,630	117,566	143,036	174,026	257,601
Utilities		35,900	37,336	38,829	40,383	41,998	51,097	62,167	75,636	111,960
Water, Sewer & Trash		44,900	46,696	48,564	50,506	52,527	63,907	77,752	94,598	140,027
Insurance		65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Property Tax		201,000	209,040	217,402	226,098	235,142	286,086	348,067	423,477	626,849
Reserve for Replacements		44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other		14,560	15,142	15,748	16,378	17,033	20,723	25,213	30,676	45,408
TOTAL EXPENSES		$883,160	$917,737	$953,674	$991,025	$1,029,846	$1,248,122	$1,512,916	$1,834,185	$2,697,112
NET OPERATING INCOME		$1,000,060	$1,021,986	$1,044,241	$1,066,827	$1,089,741	$1,209,061	$1,335,632	$1,468,064	$1,740,833
DEBT SERVICE										
First Lien Financing		$864,015	$864,015	$864,015	$864,015	$864,015	$864,015	$864,015	$864,015	$864,015
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		$136,045	$157,972	$180,226	$202,812	$225,727	$345,046	$471,618	$604,049	$876,819
DEBT COVERAGE RATIO		1.16	1.18	1.21	1.23	1.26	1.40	1.55	1.70	2.01

HTC ALLOCATION ANALYSIS -Addison Park Apartments, Arlington, 4% HTC / Bond #08613/03461				
CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,209,915	$1,209,645		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,738,624	$1,738,624	$1,738,624	$1,738,624
Construction Hard Costs	$9,692,508	$9,692,508	$9,692,508	$9,692,508
Contractor Fees	$1,596,885	$1,596,885	$1,596,885	$1,596,885
Contingencies				
Eligible Indirect Fees	$1,186,600	$1,186,600	$1,186,600	$1,186,600
Eligible Financing Fees	$379,984	$379,984	$379,984	$379,984
All Ineligible Costs	$1,855,583	$1,855,583		
Developer Fees				
Developer Fees	$2,189,190	$2,189,190	$2,189,190	$2,189,190
Development Reserves	$224,000	$274,879		
TOTAL DEVELOPMENT COSTS	$20,073,289	$20,123,898	$16,783,791	$16,783,791

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		$16,783,791	$16,783,791
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$16,783,791	$16,783,791
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$16,783,791	$16,783,791
Applicable Percentage		3.44%	3.44%
TOTAL AMOUNT OF TAX CREDITS		$577,362	$577,362
Syndication Proceeds	**0.8210**	**$4,740,163**	**$4,740,163**
Total Tax Credits (Eligible Basis Method)		**$577,362**	**$577,362**
Syndication Proceeds		**$4,740,163**	**$4,740,163**
Requested Tax Credits		**$577,362**	
Syndication Proceeds		**$4,740,160**	
Awarded Tax Credits		**$620,571**	
Syndication Proceeds		**$4,910,986**	
Gap of Syndication Proceeds Needed		**$6,073,289**	
Total Tax Credits (Gap Method)		**$739,740**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	January 5, 2004	**PROGRAM:**	4% HTC	**FILE NUMBER:**	03461
			MRB		2003-028

DEVELOPMENT NAME

Addison Park Apartments

APPLICANT

Name:	Arlington Partners, L.P.			**Type:**	For-profit		
Address:	2680 Crane Ridge Drive			**City:**	Jackson	**State:**	MS
Zip:	39216	**Contact:**	Cliff Bates	**Phone:**	(601) 321-7600	**Fax:**	(601) 321-7624

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	JAN-TX IV, LLC	**(%):**	0.1	**Title:**	Managing General Partner
Name:	Southeast Development, LLC			**Title:**	100% owner of MGP
Name:	J. H. Thames, Jr.			**Title:**	75% owner of So.East Dev
Name:	Rodney F. Triplett, Jr.			**Title:**	25% owner of So.East Dev

PROPERTY LOCATION

Location:	6501 Joplin Road		☐ **QCT**		☐ **DDA**
City:	Arlington	**County:**	Tarrant	**Zip:**	76060

REQUEST

Amount	Interest Rate	Amortization	Term
1) $620,571	N/A	N/A	N/A
2) $14,000,000	6.0%	30 yrs	30 yrs

Other Requested Terms:
1) Annual ten-year allocation of low-income housing tax credits
2) Tax-exempt private activity mortgage revenue bonds

Proposed Use of Funds: New construction **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A TAX CREDIT ALLOCATION NOT TO EXCEED $620,571 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A TAX-EXEMPT BOND AMOUNT OF NOT MORE THAN $14,000,000, AMORTIZING OVER 30 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. An explanation as to how the Mississippi Housing & Community Services will be able to perform supportive services in Arlington, TX due to the distance between the two locations and the lack of an operating expense line item budgeted for this purpose.
2. Board acceptance of a likely mandatory redemption of up to $400,000 of tax exempt bonds at conversion to permanent status.
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 amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 224 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** N/A yrs

Net Rentable SF: 241,016 **Av Un SF:** 1,076 **Common Area SF:** 4,500 **Gross Bldg SF:** 245,516

STRUCTURAL MATERIALS

A wood frame on a post-tensioned concrete slab on grade, 30% brick veneer/70% Hardiplank siding exterior wall covering, drywall interior wall surfaces and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 4,500-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, business center, central mailroom, swimming pool, equipped children's play area is located at the entrance to of the property. In addition perimeter fencing with limited access gate is also planned for the site.

Uncovered Parking: 448 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Addison Park Apartments is a relatively dense (18 units per acre) new construction development of 224 units of affordable income housing located in southwest Arlington. The development is comprised of ten evenly distributed large to medium garden style walk-up residential buildings as follows:

- Two Building Type 1 with 12 one-bedroom/one-bath units and 12 two-bedroom/two-bath units;
- Seven Building Type 2 with 12 two- bedroom/two-bath units and 12 three- bedroom/ two-bath units;
- One Building Type 3 with eight two- bedroom/two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional.

Supportive Services: Mississippi Housing & Community Services will provide supportive services that will consist of: family counseling, support and educational services. The services will be optional and the cost of the services is included in the rent. The Applicant did not include any operating budget to account for these services. An explanation as to how this organization will be able to perform these services in Arlington, TX is being made a condition of this report.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in June of 2005. The development should be placed in service in June of 2006 and substantially leased-up in June of 2006.

SITE ISSUES

SITE DESCRIPTION

Size: 12.45 acres 542,322 square feet **Zoning/ Permitted Uses:** MF-18

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Arlington is located in the Dallas/Fort Worth Metropolitan Area. The site is an irregularly-shaped parcel located on the southwest side of US-287 one block south of Sublett Road in Arlington, Tarrant County, Texas.

Adjacent Land Uses:

- **North:** Vacant land
- **South:** Agricultural land
- **East:** Large homes on large lots
- **West:** Vacant land

Site Access: Access to the property is from the southeast or northwest along US-287. The development is to have one main entry from the southwest side of US-287, which is a four-lane, divided, limited access thoroughfare. It intersects with IH-20 to the north and runs south through the cities of Mansfield and Waxahachie.

Public Transportation: The City of Arlington does not provide public transportation.

Shopping & Services: The subject has good proximity to shopping. The Sublett Crossing Shopping Center is a recently completed neighborhood center located at the southwest corner of Sublett road and SH-287. It is anchored by an Albertson's Grocery Store, and other retailers in this center include Subway, Mr. Wok, a dry cleaner, a tanning salon, hair salon and nail salon. A large concentration of shopping centers, retail buildings and restaurants are located at the intersection of US-287 and IH-20, two miles north of the subject.

Site Inspection Findings: TDHCA staff performed a site inspection on November 11, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October, 2003 was prepared by Rone Engineers, Ltd. and contained the following findings and recommendations:

Findings: "This assessment has not revealed evidence of recognized environmental conditions in connection with the historical and present use of the property." (p. 10)

Recommendations: **"**Based upon the results of the ESA, Rone does not recommend further environmental investigation of the property." (p. 10)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All 224 of the units (100% of the total) will be reserved for low-income tenants. All 224 of the units (100%) being a Priority 2 private activity bond will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,740	$29,400	$33,120	$36,780	$39,720	$42,660

MARKET HIGHLIGHTS

A market feasibility study dated October 16, 2003 was prepared by Jack Poe Company Incorporated and highlighted the following findings:

Definition of Primary Market Area: "There are no significant geographic boundaries that delineate the primary market, thus a five mile radius from the subject is relatively consistent with a ten minute commute. Thus, the primary market area is concluded to be a five mile radius from the subject site, which includes southwest Arlington, Southeast Fort Worth, Northwest Mansfield, and the entire suburban City of Kennedale." (p. 25)

Population: The estimated 2003 population of the Primary Market was 169,959 and is expected to increase by 9% to approximately 184,465 by 2007. Within the primary market area there were estimated to be 60,042 households in 2003. (p. 27)

Total Primary Market Demand for Rental Units: "1,234 new households are forecasted to be created in the primary market every year for the ext five years." (p. 49)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	174	3%	87	2%
Resident Turnover	5,745	97%	3,569	98%
TOTAL ANNUAL DEMAND	**5,919**	**100%**	**3,656**	**100%**

Ref: p. 49

Inclusive Capture Rate: "There are four existing LIHTC complex within the subject's Primary Market, but three of these complexes have maintained a stabilized occupancy for twelve months. The 176 unit, Cedar Point Apartments in Mansfield have not completed construction, and only 10% of the units are occupied. There are 176 units, but 106 units are income restricted. Thus, 106 of this complexes unit must also be included in the Inclusive Capture Rate. No affordable housing complexes in the primary market area were awarded tax credits in the 2003 application cycle, and we are unaware of any proposed LIHTC/affordable housing complexes for the 2004 application cycle other than the subject. The total low income qualified demand is estimate to be 5,919 in the Primary Market, and the inclusive capture rate is 5.6%." (p. 51)

The Underwriter has considered but not included the development Hampton Villas with 280 units even though it is located just to the northeast outside of the five mile market area radius and Providence at Rush Creek with 248 units both recently approved and to be built as well as correcting the number of units in Cedar Point Apartments to 132 income-restricted units. The pending 144 units proposed with Providence at Rush Creek II were also considered in this analysis but not included in supply because that development did not have the same priority as Addison Park. As a result the underwriter recalculated the inclusive capture rate to be an acceptable 16.5%. Even with Rush Creek II included the inclusive capture rate calculated by the Underwriter would remain below 25%.

Market Rent Comparables: The market analyst surveyed eight comparable apartment projects totaling 1,825 units in the market area. (p. 31)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (60%)	$630	$630	-$0	$750	-$120
2-Bedroom (60%)	$752	$752	-$0	$850	-$98
3-Bedroom (60%)	$864	$864	-$0	$1,075	-$211

(NOTE: Differentials are amount of diff864erence between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Vacancy Rates: "The developer is projecting a 7.5% vacancy and collection loss for the proposed development. The rent comparables in this report are 2% to 5% vacant. The South Arlington submarket has a 7.4% overall vacancy rate as of the 3rd Quarter of 2003, but apartments constructed after 1990 have an 4.4% vacancy rate, which is consistent with the rent comparables. Therefore, the developer's 7.5% vacancy rate is relatively conservative, and the subject is likely to operate with lower vacancy and collection losses." (p. 50)

Absorption Projections: "New LIHTC apartments are leasing between 25 and 35 units per month in the lease up stage of their life cycle. This, a lease up rate of 30 units per month is inferred from market data. Based on this analysis, we project that the subject will be approximately 30% occupied (67 units) once construction is completed, and that it will take approximately six months to lease up the remaining units and reach a stabilized occupancy of 92.5%." (p. 52)

Known Planned Development: "No affordable housing complexes in the primary market area were awarded tax credits in the 2003 application cycle, and we are unaware of any proposed LIHTC/affordable housing complexes for the 2004 application cycle other than the subject." (p. 51) Clearly the Market Analyst did not consider the two Rush Creek properties when making this statement.

The Underwriter found the market study to be informative enough to complete this analysis.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The Applicant's effective gross income is essentially the same as the underwriter's estimate of effective gross income.

Expenses: The Applicant's total expense estimate of $3,570 per unit is 12% lower than a TDHCA database-derived estimate of $4,047 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly the general and administrative ($26.7K lower), utilities ($20.3K lower), water, sewer, and trash ($93.6K lower), property tax ($44.2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. When utilizing the Underwriter's estimates, the debt coverage ratio is 1.04 based on the current loan amount, an amount less than the department's 1.10 allowable DCR minimum. In order to reach the required DCR minimum, there is projected to be a potential mandatory redemption of $400,000 in bonds to $13,600,000 in order to meet a minimum 1.10 DCR at conversion to permanent status.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 18.35 acres	$799,326	**Assessment for the Year of:**	2003
Prorated 1 acre:	$43,560	**Valuation by:**	Tarrant County Appraisal District
Prorated 12.45 acres:	$542,322	**Tax Rate:**	2.909698

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract		
Contract Expiration Date:	1/ 29/ 2004	**Anticipated Closing Date:**	1/ 29/ 2004
Acquisition Cost:	$1,111,760	**Other Terms/Conditions:**	$10,000 earnest money
Seller:	Gonzales Properties No. 2, LTD	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,969 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $349.5K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation and calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $17,480,882 is used to determine a credit allocation of $625,816 from this method. This exceeds the requested amount of $620,571; therefore, the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: Red Stone Partners, LLC **Contact:** Jim Gillespie

Principal Amount: $14,000,000 **Interest Rate:** 6.0%

Amortization: N/A yrs **Term:** 2.5 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

PERMANENT FINANCING

Source: Red Stone Partners, LLC **Contact:** Jim Gillespie

Principal Amount: $14,000,000 **Interest Rate:** 6.0%

Additional Information: Tax–exempt bond proceeds

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $961,851 **Lien Priority:** 1st **Commitment Date** 11/ 5/ 2003

LIHTC SYNDICATION

Source: Paramount financial Group, Inc. **Contact:** Michael Moses

Address: 3201 Enterprise Parkway, Suite 470 **City:** Cleveland

State: OH **Zip:** 44122 **Phone:** (216) 896-9696 **Fax:** (216) 896-9642

Net Proceeds: $5,351,581 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 11/ 14/ 2003

APPLICANT EQUITY

Amount: $690,660 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The issuer of the bonds will be TDHCA.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,810,980 based on a syndication factor of 82%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $690,660 amount to approximately 37% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should be limited to $625,816, but the Applicant's requested credit amount of $620,571 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of $5,083,594. Based on the underwriting analysis, the Applicant's deferred developer fee will be repayable from cash flow within ten years. It should be noted that this analysis is based on the likely redemption amount of up to $400,000 from the tax-exempt amount of $14,000,000.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant, the General Partner, and the owner of the General Partner, Southeast Development, LLC, are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 75% owner of Southeast Development, LLC, J.H. Thames, Jr., submitted an unaudited financial statement as of June 30, 2003 and is anticipated to be guarantor of the development.

- The 25% owner of Southeast Development, LLC, Rodney R. Triplett, Jr., submitted an unaudited financial statement as of June 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 70% owner of the General Partner, J. H. Thames, Jr., has completed 45 LIHTC/affordable and conventional housing developments totaling 5,128 units since 1980.
- The 30% owner of the General Partner, Rodney F. Triplett, Jr., has completed 44 LIHTC/affordable and conventional housing developments totaling 5,472 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	January 5, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	January 5, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Addison Park Apartments, Arlington, HTC #03461

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (60%)	24	1	1	783	$689	$630	$15,120	$0.80	$59.00	$37.00
TC (60%)	116	2	2	1,012	828	752	87,232	0.74	76.00	41.00
TC (60%)	84	3	2	1,248	956	864	72,576	0.69	92.00	51.00
TOTAL:	224		AVERAGE:	1,076	$861	$781	$174,928	$0.73	$80.18	$44.32

INCOME Total Net Rentable Sq Ft: 241,016 | USS Region 3 | IREM Region Fort Worth

				TDHCA	APPLICANT		
POTENTIAL GROSS RENT				$2,099,136	$2,099,136		
Secondary Income	Per Unit Per Month:	$15.00		40,320	40,320	$15.00	Per Unit Per Month
Other Support Income: (describe)				0			
POTENTIAL GROSS INCOME				$2,139,456	$2,139,456		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(160,459)	(160,464)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0			
EFFECTIVE GROSS INCOME				$1,978,997	$1,978,992		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.74%	$331	0.31	$74,096	$47,440	$0.20	$212	2.40%
Management		5.00%	442	0.41	98,950	$98,950	0.41	442	5.00%
Payroll & Payroll Tax		10.11%	893	0.83	200,032	$197,120	0.82	880	9.96%
Repairs & Maintenance		4.73%	418	0.39	93,660	$89,400	0.37	399	4.52%
Utilities		2.78%	245	0.23	54,958	$34,653	0.14	155	1.75%
Water, Sewer, & Trash		5.19%	458	0.43	102,675	$9,027	0.04	40	0.46%
Property Insurance		2.31%	204	0.19	45,793	$42,336	0.18	189	2.14%
Property Tax	2.909698	9.22%	815	0.76	182,496	$226,688	0.94	1,012	11.45%
Reserve for Replacements		2.26%	200	0.19	44,800	$45,000	0.19	201	2.27%
Other Expenses: Compl. Fees		0.46%	40	0.04	9,008	$9,008	0.04	40	0.46%
TOTAL EXPENSES		45.80%	$4,047	$3.76	$906,468	$799,622	$3.32	$3,570	40.41%
NET OPERATING INC		54.20%	$4,788	$4.45	$1,072,529	$1,179,370	$4.89	$5,265	59.59%
DEBT SERVICE									
First Lien Mortgage		50.90%	$4,497	$4.18	$1,007,245	$961,851	$3.99	$4,294	48.60%
Trustee Fee		0.18%	$16	$0.01	$3,500		$0.00	$0	0.00%
TDHCA Admin. Fees		0.71%	$63	$0.06	14,000		$0.00	$0	0.00%
Asset Oversight Fees		0.17%	$15	$0.01	3,360		$0.00	$0	0.00%
NET CASH FLOW		2.42%	$214	$0.20	$47,924	$217,519	$0.90	$971	10.99%
INITIAL AGGREGATE DEBT COVERAGE RATIO					1.04	1.23			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.06				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.76%	$4,963	$4.61	$1,111,760	$1,111,760	$4.61	$4,963	5.70%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.08%	6,969	6.48	1,561,000	1,561,000	6.48	6,969	8.00%
Direct Construction		47.66%	41,102	38.20	9,206,796	9,556,340	39.65	42,662	49.00%
Contingency	4.86%	2.71%	2,334	2.17	522,906	522,906	2.17	2,334	2.68%
General Req'ts	6.00%	3.34%	2,884	2.68	646,068	667,040	2.77	2,978	3.42%
Contractor's G & A	2.00%	1.11%	961	0.89	215,356	222,346	0.92	993	1.14%
Contractor's Profit	6.00%	3.34%	2,884	2.68	646,068	667,040	2.77	2,978	3.42%
Indirect Construction		4.56%	3,929	3.65	880,107	880,107	3.65	3,929	4.51%
Ineligible Costs		3.78%	3,258	3.03	729,798	729,798	3.03	3,258	3.74%
Developer's G & A	2.00%	1.53%	1,322	1.23	296,178	0	0.00	0	0.00%
Developer's Profit	13.00%	9.97%	8,594	7.99	1,925,156	2,273,508	9.43	10,150	11.66%
Interim Financing		5.85%	5,047	4.69	1,130,595	1,130,595	4.69	5,047	5.80%
Reserves		2.30%	1,985	1.84	444,579	179,200	0.74	800	0.92%
TOTAL COST		100.00%	$86,234	$80.15	$19,316,366	$19,501,640	$80.91	$87,061	100.00%
Recap-Hard Construction Costs		*66.26%*	***$57,135***	***$53.10***	***$12,798,193***	***$13,196,672***	***$54.75***	***$58,914***	*67.67%*

SOURCES OF FUNDS

					0	RECOMMENDED	
Tax-Exempt Bonds	72.48%	$62,500	$58.09	$14,000,000	$14,000,000	$13,600,000	Developer Fee Available
Taxable Bonds/ Additional Financing	0.00%	$0	$0.00	0		0	$2,221,334
LIHTC Syndication Proceeds	24.91%	$21,478	$19.96	4,810,980	4,810,980	5,083,594	% of Dev. Fee Deferred
Deferred Developer Fees	3.58%	$3,083	$2.87	690,660	690,660	818,046	37%
Additional (Excess) Funds Required	-0.96%	($827)	($0.77)	(185,274)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$19,316,366	$19,501,640	$19,501,640	$3,705,695

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Addison Park Apartments, Arlington, HTC #03461

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.48	$9,997,344
Adjustments				
Exterior Wall Finish	3.10%		$1.29	$309,918
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(162,284)
Floor Cover			1.92	462,751
Porches/Balconies	$17.26	22,400	1.60	386,699
Plumbing	$615	600	1.53	369,000
Built-In Appliances	$1,625	224	1.51	364,000
Stairs/Fireplaces	$1,625	73	0.49	118,625
Floor Insulation			0.00	0
Heating/Cooling			1.47	354,294
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$56.80	4,500	1.06	255,620
Other:			0.00	0
SUBTOTAL			51.68	12,455,965
Current Cost Multiplier	1.03		1.55	373,679
Local Multiplier	0.88		(6.20)	(1,494,716)
TOTAL DIRECT CONSTRUCTION COSTS			$47.03	$11,334,928
Plans, specs, survy, bld prm	3.90%		($1.83)	($442,062)
Interim Construction Interes	3.38%		(1.59)	(382,554)
Contractor's OH & Profit	11.50%		(5.41)	(1,303,517)
NET DIRECT CONSTRUCTION COSTS			$38.20	$9,206,796

PAYMENT COMPUTATION

Primary	$14,000,000	Term	360
Int Rate	6.00%	DCR	1.06

Secondary		Term	
Int Rate		Subtotal DCR	1.06

All-In		Term	
Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$978,466
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversigh	17,360
NET CASH FLOW	$73,203

Primary	$13,600,000	Term	360
Int Rate	6.00%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

All-In		Term	
Rate		Aggregate DCR	1.07

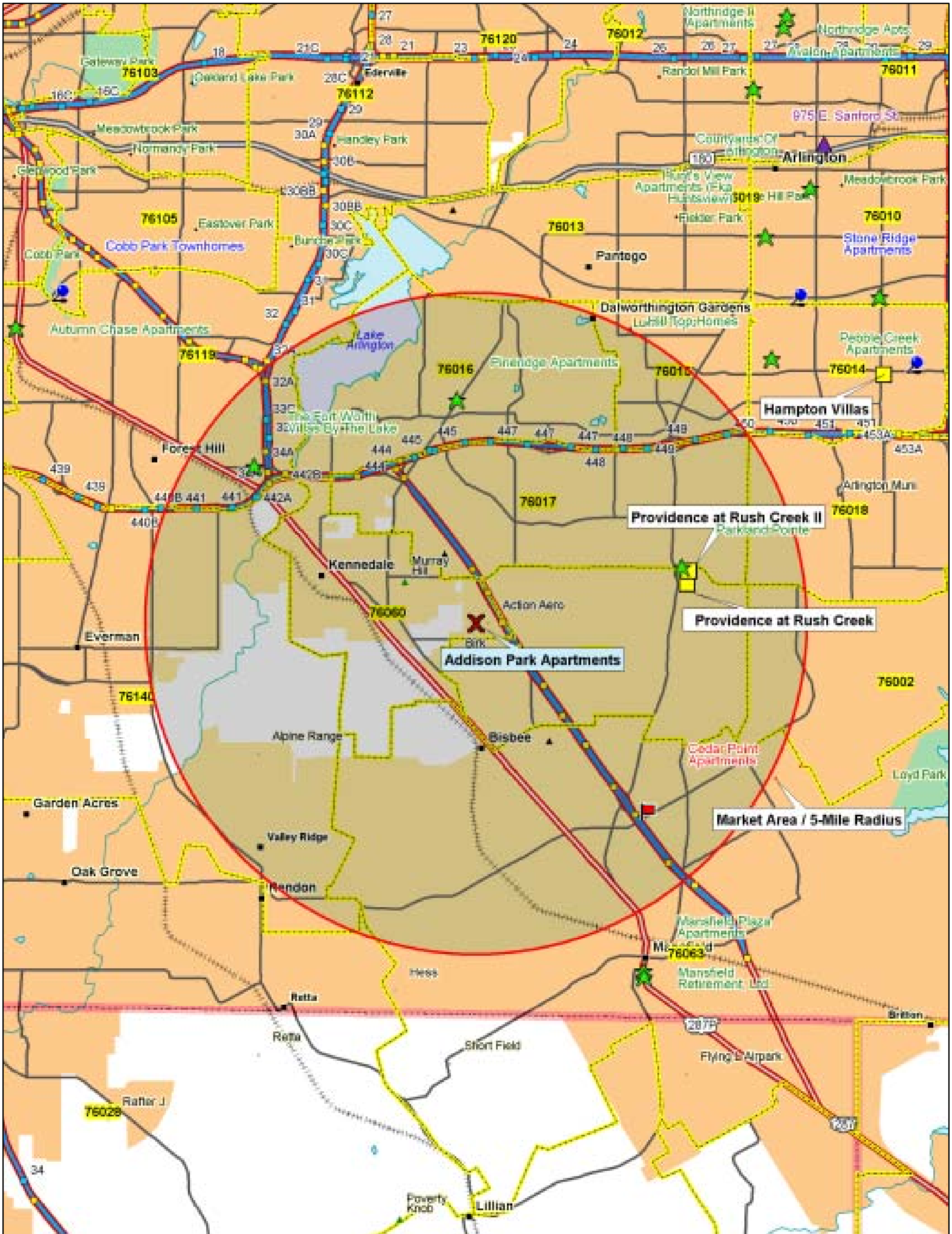
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$2,099,136	$2,162,110	$2,226,973	$2,293,783	$2,362,596	$2,738,896	$3,175,132	$3,680,848	$4,946,751
Secondary Income	40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,139,456	2,203,640	2,269,749	2,337,841	2,407,977	2,791,505	3,236,119	3,751,549	5,041,768
Vacancy & Collection Loss	(160,459)	(165,273)	(170,231)	(175,338)	(180,598)	(209,363)	(242,709)	(281,366)	(378,133)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,978,997	$2,038,367	$2,099,518	$2,162,503	$2,227,378	$2,582,142	$2,993,410	$3,470,183	$4,663,636
EXPENSES at 4.00%									
General & Administrative	$74,096	$77,060	$80,142	$83,348	$86,682	$105,462	$128,310	$156,109	$231,079
Management	98,950	101,918	104,976	108,125	111,369	129,107	149,671	173,509	233,182
Payroll & Payroll Tax	200,032	208,033	216,355	225,009	234,009	284,708	346,391	421,437	623,830
Repairs & Maintenance	93,660	97,406	101,303	105,355	109,569	133,307	162,189	197,327	292,093
Utilities	54,958	57,156	59,442	61,820	64,293	78,222	95,169	115,787	171,394
Water, Sewer & Trash	102,675	106,782	111,053	115,496	120,115	146,139	177,800	216,321	320,208
Insurance	45,793	47,625	49,530	51,511	53,571	65,178	79,299	96,479	142,813
Property Tax	182,496	189,796	197,388	205,283	213,495	259,749	316,024	384,492	569,142
Reserve for Replacements	44,800	46,592	48,456	50,394	52,410	63,764	77,579	94,387	139,716
Other	9,008	9,368	9,743	10,133	10,538	12,821	15,599	18,978	28,093
TOTAL EXPENSES	$906,468	$941,737	$978,387	$1,016,473	$1,056,051	$1,278,457	$1,548,030	$1,874,827	$2,751,548
NET OPERATING INCOME	$1,072,529	$1,096,630	$1,121,131	$1,146,030	$1,171,328	$1,303,685	$1,445,380	$1,595,355	$1,912,087
DEBT SERVICE									
First Lien Mortgage	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466	$978,466
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	17,360	16,793	16,616	16,427	16,228	15,027	13,409	3,360	3,360
NET CASH FLOW	$73,203	$97,870	$122,548	$147,636	$173,134	$306,691	$450,005	$610,029	$926,761
AGGREGATE DCR	1.07	1.10	1.12	1.15	1.17	1.31	1.45	1.62	1.94

LIHTC Allocation Calculation - Addison Park Apartments, Arlington, HTC #03461

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	$1,111,760	$1,111,760		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,561,000	$1,561,000	$1,561,000	$1,561,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,556,340	$9,206,796	$9,556,340	$9,206,796
(4) Contractor Fees & General Requirements				
Contractor overhead	$222,346	$215,356	$222,346	$215,356
Contractor profit	$667,040	$646,068	$667,040	$646,068
General requirements	$667,040	$646,068	$667,040	$646,068
(5) Contingencies	$522,906	$522,906	$522,906	$522,906
(6) Eligible Indirect Fees	$880,107	$880,107	$880,107	$880,107
(7) Eligible Financing Fees	$1,130,595	$1,130,595	$1,130,595	$1,130,595
(8) All Ineligible Costs	$729,798	$729,798		
(9) Developer Fees				
Developer overhead		$296,178		$296,178
Developer fee	$2,273,508	$1,925,156	$2,273,508	$1,925,156
(10) Development Reserves	$179,200	$444,579		
TOTAL DEVELOPMENT COSTS	$19,501,640	$19,316,366	$17,480,882	$17,030,229

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		$17,480,882	$17,030,229
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,480,882	$17,030,229
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,480,882	$17,030,229
Applicable Percentage		3.58%	3.58%
TOTAL AMOUNT OF TAX CREDITS		$625,816	$609,682
Syndication Proceeds	**0.8192**	**$5,126,556**	**$4,994,395**
Total Credits (Eligible Basis Method)		**$625,816**	**$609,682**
Syndication Proceeds		**$5,126,556**	**$4,994,395**
Requested Credits		**$620,571**	
Syndication Proceeds		**$5,083,594**	
Gap of Syndication Proceeds Needed		**$5,901,640**	
Credit Amount		**$720,433**	



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Zoom Level: 10-6 Datum: WGS84

Scale 1 : 125 000
1" = 1.97 mi

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Applicant Evaluation

Project ID **08613** Name **Addison Park** City:

HTC 9% [ ] HTC 4% [x] HOME [ ] BOND [x] HTF [ ] SECO [ ] ESGP [ ] Other [ ]

[ ] No Previous Participation in Texas [ ] Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 5

Total # of MF awards not yet monitored or pending review: 0

SF Contract Experience [ ] Yes [x] No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes [ ] **No** [x]

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9: 4

10-19: 0

20-29: 0

Total monitored with a score 0-29: 5

Completed by: J. Taylor Date 6/3/2008

Reviewer: Patricia Murphy Date 6/5/2008

Single Audit

[x] Single audit review not applicable

[ ] Single audit review found no unresolved issues

[ ] Late single audit certification form (see comments

[ ] Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 6/4/2008

Comments (if applicable):

Financial Administration
Loan Servicing

[x] No delinquencies found [ ] Delinquencies found (see comments)

Reviewer Candace Christiansen Date 6 /3 /2008

Comments (if applicable):

Financial Administration
Financial Services

[x] No delinquencies found [ ] Delinquencies found (See Comments)

Reviewer Monica Guerra Date 6 /16/2008

Comments (if applicable):

Housing Tax Credit Program
Board Action Request
June 26, 2008

Action Item

Request, review, and board determination of one (1) tax exempt bond transaction with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) tax exempt bond transaction with **TDHCA** as the Issuer for the Development known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Bond Amount	Requested Credit Allocation	Recommended Bond Allocation
08602	Costa Ibiza	Houston	TDHCA	216	216	$23,651,150	$13,900,000	$879,252	$879,252

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2008 Private Activity Multifamily Housing Revenue Bonds

Costa Ibiza Apartments
Approximately 17000 Hafer Road
Harris County, Texas

Costa Ibiza, Ltd.
216 Units
Priority 2
$15,000,000 Tax Exempt – Series 2008

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 26, 2008

Action Item

Presentation, Discussion and Possible Issuance of Multifamily Housing Revenue Bonds, Series 2008 and a Determination Notice of Housing Tax Credits with TDHCA as the Issuer for Costa Ibiza Apartments.

Requested Action

Approve, Amend or Deny the Issuance of Multifamily Housing Revenue Bonds and the Determination of Housing Tax Credits.

Summary of the Costa Ibiza Apartments Transaction

Background and General Information: The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, as amended, the Department's Enabling Statute (the "Statute"), which authorizes the Department to issue revenue bonds for its public purposes, as defined therein. (*The Statute provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.)* The pre-application for the 2008 Waiting List was received on October 11, 2007. The application was scored and ranked by staff and was induced at the March 13, 2008 Board Meeting. Following the March 13, 2008 Board meeting the application was submitted to the Texas Bond Review Board and received a Reservation of Allocation on June 3, 2008. The deadline for bond delivery is on or before October 31, 2008, but the anticipated closing date is July 23, 2008. Located in Harris County, the development consists of the new construction of 216 units targeted to a general population. This application was submitted under the Priority 2 category, with the applicant proposing 100% of the units serving individuals and families earning 60% of Area Median Family Income (AMFI).

Organizational Structure and Compliance: The Borrower is Costa Ibiza, Ltd. the General Partner of which is NRP Costa Ibiza, LLC and is comprised of J. David Heller (33%), T. Richard Bailey, Jr. (34%), and Alan F. Scott (33%) who share ownership interest. The Compliance Status Summary completed on May 9, 2008 reveals that the principals of the general partner have received four (4) multifamily awards that have no material noncompliance.

Public Hearing: A public hearing was conducted by the Department for the proposed development on May 21, 2008. There were approximately 60 people in attendance with 29 speaking on the record. The majority of those in attendance were in support of the development. The comments made in opposition were as follows: concerns of flooding in the area and the need for retention ponds, the two lane road (Hafer Road) which will be the main entrance to the development, safety concerns over the fact that Hafer Road does not have any sidewalks, overcrowding of Spring ISD schools, traffic on Hafer Road which connects with FM 1960, and the long term maintenance of the property. While those in opposition support affordable housing and the NRP development concept, they requested that it be in a different location in Harris County that has the infrastructure to support the development. A copy of the transcript is included in this presentation. The Department has received a petition in support with 431 signatures and no letters of opposition from the community have been received. Previously the Department had received letters of opposition from Harris County Judge Ed Emmett, County Commissioner Jerry Eversole and the Northwest Chamber of Commerce; however, they have rescinded their opposition. The Department had also previously received a letter of opposition from State Representative Patricia Harless; however, in phone conversations she had with Executive Staff she verbally withdrew her opposition.

Census Demographics: The proposed site is located at 17000 Hafer Road Houston, Harris County. Demographics for the census tract (5503.00) include AMFI of $50,200; the total population is 9,654; the percent of the population that is minority is 49.08%; the number of owner occupied units is 550; number of renter occupied units is 4,321; and the number of vacant units is 509. (Census Information from FFIEC Geocoding for 2007).

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of variable rate tax-exempt bonds in an amount not to exceed $15,000,000. Throughout the construction phase, Freddie Mac will be protected by a Letter of Credit issued by Bank of America. The Bonds will carry an AAA rating. The term of the Bonds will be for 30 years with a 35 year amortization. The construction and lease up period will be for 30 months with the option of one 6-month extension. The underwriting interest rate is estimated at 6.145% which includes an underlying swap rate of 4.04% plus a full stack of 1.825% and a forward start premium of 0.28%.

There will be a Swap Agreement between the Borrower and Bank of America. Additionally, there will be a Swap Credit Enhancement Agreement between Freddie Mac and Bank of America as the swap provider. The Department will not be a party to either one of these agreements. The Swap Credit Enhancement Agreement provides that, to the extent the Borrower does not make its fixed rate payment under the Swap Agreement, Freddie Mac will do so. The Swap Agreement will provide payment to the Borrower of a variable rate based on SIFMA applied to a notional amount (the face amount that is used to calculate payments made on that instrument) corresponding to the principal amount of the Bond loan. The Borrower's obligations under the Swap Agreement, which are guaranteed by Freddie Mac under the Swap Credit Enhancement Agreement, are not secured by a mortgage. The Borrower's obligation to pay Freddie Mac for any sums advanced by Freddie Mac under the Swap Credit Enhancement Agreement is secured by the second lien reimbursement mortgage in favor of Freddie Mac.

Recommendation

Staff recommends the Board approve the issuance of $15,000,000 in tax-exempt Multifamily Housing Revenue Bonds, Series 2008 and $879,252 in Housing Tax Credits for the Costa Ibiza Apartments.

RESOLUTION NO. 08-022

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (COSTA IBIZA APARTMENTS) SERIES 2008; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development, construction and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza Apartments) Series 2008 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Costa Ibiza, Ltd., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on March 13, 2008, declared its intent to issue its revenue bonds to provide financing for the Development; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Bond Mortgage Loan") to the Borrower to enable the Borrower to finance the cost of acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Bond Mortgage Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Bond Mortgage Loan and liquidity support for the Bonds will be provided for by a Credit Enhancement Agreement between Federal Home Loan Mortgage Corporation (the "Credit Facility Provider") and the Trustee; and

WHEREAS, it is anticipated that the Bond Mortgage Note will be secured by a First Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing (the "Bond Mortgage") by the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Bond Mortgage Loan (except for certain unassigned rights), including the Bond Mortgage Note and the Bond Mortgage, will be assigned to the Trustee, and the exercise of rights thereunder will be governed by an Intercreditor Agreement (the "Intercreditor Agreement") among the Department, the Trustee, Bank of America, N.A. as construction phase credit facility provider (the "Construction Phase Credit Facility Provider"), and the Credit Facility Provider; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Development which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of an Official Statement (the "Official Statement") and to authorize the authorized representatives of the Department to deem the Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower and Citigroup Global Markets Inc. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Financing Agreement, the Intercreditor Agreement, the Regulatory Agreement, the Official Statement, the Bond Purchase Agreement and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Bond Mortgage and the Bond Mortgage Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Bond Mortgage and the Bond Mortgage Note and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser or purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chairman or Vice Chair of the Board or the Executive Director or Acting Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chair of the Board or the Executive Director or Acting Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.00%; (ii) the aggregate principal amount of the Bonds shall not exceed $15,000,000; (iii) the final maturity of the Bonds shall occur not later than September 1, 2041; and (iv) the price at which the Bonds are sold to the initial purchaser thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Financing Agreement. That the form and substance of the Financing Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Financing Agreement and deliver the Financing Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the

Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Harris County, Texas.

Section 1.6--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower, the Underwriter and any other party to the Bond Purchase Agreement, as appropriate.

Section 1.7--Acceptance of the Bond Mortgage Note and Bond Mortgage. That the form and substance of the Bond Mortgage Note and Bond Mortgage are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Bond Mortgage Note to the order of the Trustee without recourse.

Section 1.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved; and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Intercreditor Agreement and to deliver the Intercreditor Agreement to the Trustee, the Construction Phase Credit Facility Provider and the Credit Facility Provider.

Section 1.9--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chairman and Vice Chair of the Governing Board and the Executive Director or the Acting Executive Director of the Department are hereby severally authorized to deem the Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director or Acting Executive Director of the Department and the Department's counsel.

Section 1.10--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.11--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.12--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Indenture
Exhibit C	-	Financing Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Bond Purchase Agreement
Exhibit F	-	Bond Mortgage
Exhibit G	-	Bond Mortgage Note
Exhibit H	-	Intercreditor Agreement
Exhibit I	-	Official Statement
Exhibit J	-	Asset Oversight Agreement

Section 1.13--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.14--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chair of the Board, Executive Director or Acting Executive Director of the Department, Deputy Executive Director of Programs of the Department, Deputy Executive Director of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Development.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director or Acting Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.5--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.6--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Citigroup Global Markets Inc.

Section 2.7--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached to the Regulatory Agreement and shall be annually redetermined by the Issuer.

Section 2.9--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Financing Agreement and the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Bond Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing the costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Regulatory Agreement.

Section 3.3--Sufficiency of Bond Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Bond Mortgage Loan established pursuant to the Financing Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapters 33 and 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 26th day of June, 2008.

[SEAL]

By:____________________________________
C. Kent Conine, Chairman

Attest:____
Kevin Hamby, Secretary to the Governing Board

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: Costa Ibiza, Ltd., a Texas limited partnership

Development: The Development is a 216-unit multifamily facility to be known as Costa Ibiza Apartments located at approximately 17000 Hafer Road, ETJ of Houston, Harris County, Texas. It will consist of three-story residential apartment buildings with approximately 243,232 net rentable square feet and an average unit size of approximately 1,125 square feet. The unit mix will consist of:

12	one-bedroom/one-bath units
108	two-bedroom/two-bath units
84	three-bedroom/two-bath units
12	four-bedroom/two- bath units
216	Total Units

Unit sizes will range from approximately 789 square feet to approximately 1,685 square feet.

Common areas are expected to include a clubhouse, a barbecue area, two playgrounds, and a swimming pool. All units are expected to have central heating and air conditioning, carpeting and vinyl tile, ceiling fans, mini-blinds, a dishwasher, a range and oven, and covered patios or balconies.

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Costa Ibiza, TDHCA Number 08602

BASIC DEVELOPMENT INFORMATION

Site Address:	17000 Hafer Road			Development #:	08602
City:	Houston	Region:	6	Population Served:	General
County:	Harris	Zip Code:	77090	Allocation:	Urban
HOME Set Asides:	☐ CHDO	☐ Preservation	☐ General	Purpose/Activity:	NC
Bond Issuer:	TDHCA				

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:	Costa Ibiza , Ltd.	
Owner Contact and Phone	Debra Guerrero	(210) 487-7878
Developer:	NRP Holdings, LLC	
Housing General Contractor:	NRP Contractors LLC	
Architect:	Alamo Architects	
Market Analyst:	Apartment Market Data Research Services, Inc.	
Syndicator:	Bank of America	
Supportive Services:	Community Housing Resources Partners, Inc.	
Consultant:	N/A	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	216	0	12	108	84	12	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	216
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	216
Total Development Cost:	$23,651,150
Number of Residential Buildings:	13
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$879,252	$879,252	0	0	0%
TDHCA Bond Allocation Amount:	$13,900,000	$13,900,000	35	35	6.145%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
June 26, 2008
Development Information, Public Input and Board Summary
Costa Ibiza, TDHCA Number 08602

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

TX Representative: Harless, District 126 NC

US Representative: Jackson Lee, District 18, NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Ed Emmett, Judge, Harris County - opposition withdrawn

David B. Turkel, Director, Community & Economic Development Department, Harris County - The proposed Costa Ibiza Apartments development is consistent with the Harris County Consolidated Plan and Multi-family and Senior Apartment Concentration Policy .

Jerry Eversole, Commissioner, Harris County - opposition withdrawn

Resolution of Support from Local Government ☐

Northwest Chamber of Commerce- opposition withdrawn

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

Public Hearing: The following concerns were expressed by the community: flooding, lack of retention ponds, inadequate/dangerous roads, increased traffic, overcrowded schools, and long-term maintenance of the property.
Number that attended: 59
Number that spoke: 29
Number in support: 35
Number in opposition: 18
Number Neutral: 6
Petition in Support: 431 signatures

CONDITIONS OF COMMITMENT

Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

1. Receipt, review, and acceptance, by cost certification, of evidence that a noise study was performed and that all of the recommendations of this report were implemented.

2. 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.

MULTIFAMILY FINANCE PRODUCTION DIVISION

June 26, 2008

Development Information, Public Input and Board Summary

Costa Ibiza, TDHCA Number 08602

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

4% Housing Tax Credits: Credit Amount: $879,252

Recommendation: Recommond approval of a Housing Tax Credit Allocation not exceed $879,252 annually for ten years, subject to conditions.

TDHCA Bond Issuance: Bond Amount: $13,900,000

Recommendation: Recommend approval of issuance of $13,900,000 in Tax Exempt Mortgage Revenue Bonds with an interest rate of 6.145% and a repayment term of 35 years with a 35 year amortization period, subject to conditions.

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

Costa Ibiza Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2008 Tax-Exempt Bond Proceeds	$ 13,900,000
Tax Credit Proceeds	8,172,132
Deferred Developer's Fee	1,865,862
GIC Income	104,250
Total Sources	$ 24,042,244

Uses of Funds	
Acquisition and Site Work Costs	$ 3,564,955
Direct Hard Construction Costs	11,330,763
Other Construction Costs (General Require, Overhead, Profit)	1,856,843
Developer Fees and Overhead	2,641,000
Direct Bond Related	264,190
Bond Purchase Costs	967,935
Other Transaction Costs	3,316,558
Real Estate Closing Costs	100,000
Total Uses	$ 24,042,244

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 69,500
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	27,800
TDHCA Bond Compliance Fee ($40 per unit)	8,640
TDHCA Bond Counsel and Direct Expenses (Note 1)	85,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Trustee Fee	8,000
Trustee's Counsel (Note 1)	6,000
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
Total Direct Bond Related	$ 264,190

Costa Ibiza Apartments

Bond Purchase Costs	
LOC Origination Fee & Expenses	182,253
LOC Ongoing Fees	278,507
Lender's Fees & Expenses	139,000
Lender's Application Fees	25,000
Lender's Legal Fees	25,000
Freddie Mac's Counsel	42,500
Freddie Mac Review Fee	13,750
Developer Legal Expenses	75,000
Developer Legal Expenses (Local Counsel)	40,000
Underwriter's Discount & Expenses	103,125
Underwriter's Counsel	30,000
Rating Agency	11,800
OS Printing/Mailing	2,000
Total Bond Purchase Costs	$ 967,935

Other Transaction Costs	
Tax Credit Related Costs	83,750
Construction Contingency	453,600
Soft Construction Costs	1,347,500
Construction Period Interest	1,145,708
Lease-Up Reserves	266,000
Miscellaneous	20,000
Total Other Transaction Costs	$ 3,316,558

Real Estate Closing Costs	
Title and Recording	100,000
Total Real Estate Costs	$ 100,000

Estimated Total Costs of Issuance	$ 4,648,683

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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

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

REPORT DATE: 06/16/08 PROGRAM: 4% HTC/MRB FILE NUMBER: **08602**

DEVELOPMENT

Costa Ibiza

Location: Approximately 17000 Hafer Road Region: 6

City: Houston ETJ County: Harris Zip: 77090 ☐ QCT ☒ DDA

Key Attributes: Multifamily, Family, Urban, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount***	**Interest**	**Amort/Term**
Private Activity Mortgage Revenue Bonds	$13,900,000	6.145%	35/35	**$13,900,000**	**6.145%**	**35/35**
Housing Tax Credit (Annual)	$879,252			**$879,252**		

* While staff recommends an aggregate principal bond amount of $13,900,000, a lesser amount ($12,575,000) has been underwritten. The higher amount is recommended to allow for any potential favorable changes in the final terms.

CONDITIONS

1 Receipt, review, and acceptance, by cost certification, of evidence that a noise study was performed and that all of the recommendations of this report were implemented.

2 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	216

PROS

- The Applicant's expense to income ratio of 48.75% is significantly below the Department's 65% maximum.
- There are no other comparable unstabilized properties within the PMA.

CONS

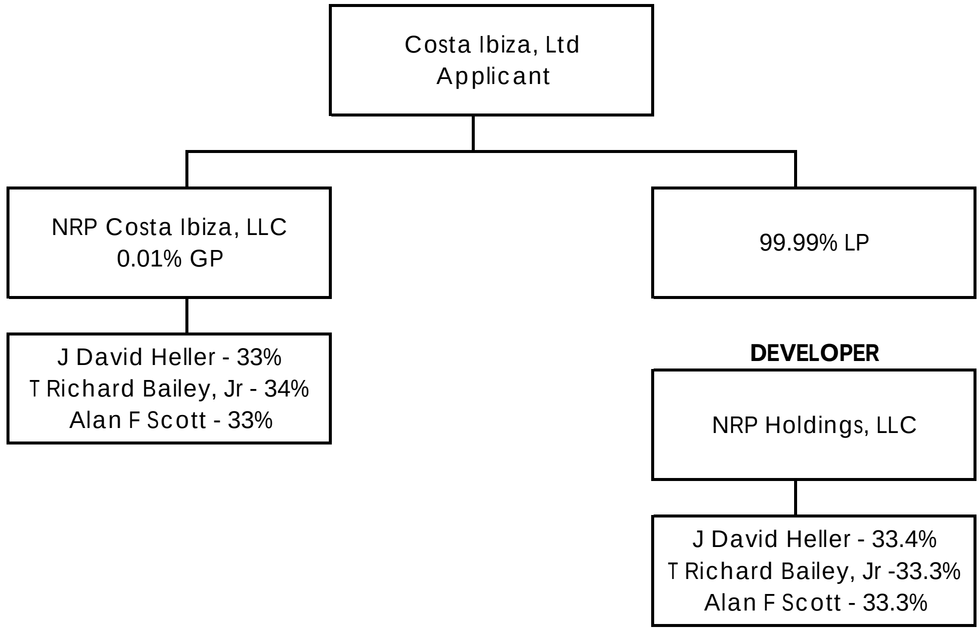
- The current occupancy rate for the market area is only 87.7% according to the Market Analyst due to the properties being older.

PREVIOUS UNDERWRITING REPORTS

The subject development was previously submitted as a 2007 application requesting tax credits and bonds through a local issuer. The previous transaction appears to have been structured similarly, but the application was withdrawn prior to completion of the underwriting analysis.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Debra Guerrero Phone: 210.487.7878 Fax: 210.487.7880
Email: dguerrero@nrpgroup.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
NRP Holdings, LLC	N/A	--
J David Heller	N/A	15 Texas HTC Allocations
T Richard Bailey, Jr	N/A	15 Texas HTC Allocations
Alan F Scott	N/A	15 Texas HTC Allocations

IDENTITIES of INTEREST

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

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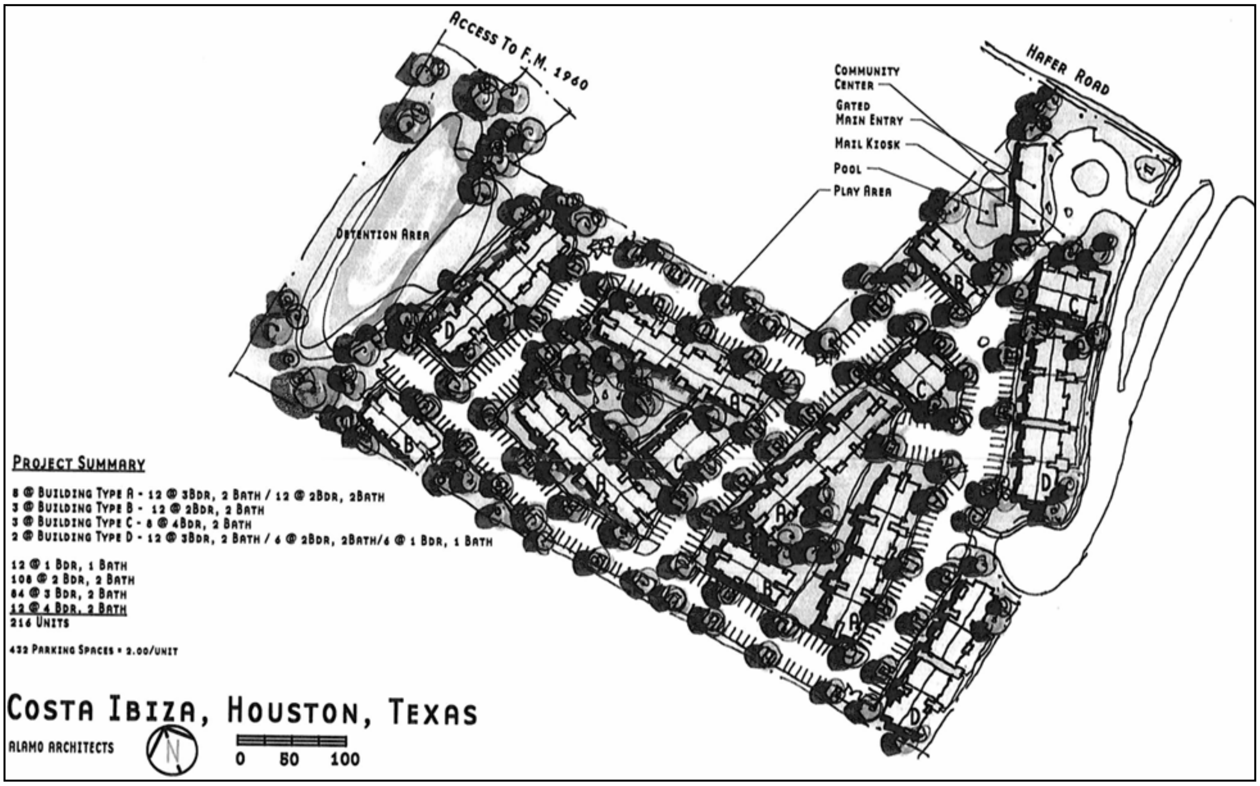
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	C-alt	D						Total Buildings
Floors/Stories	3	3	2	2	3						
Number	5	3	2	1	2						**13**

BR/BA	SF	Units										Total Units	Total SF
1/1	789					6						12	9,468
2/2	1,010	12	12									96	96,960
2/2	1,044					6						12	12,528
3/2	1,255	12				12						84	105,420
3/2	1,561			4	3							11	17,171
4/2	1,685				1							1	1,685
Units per Building		24	12	4	4	24						**216**	**243,232**

SITE ISSUES

Total Size:	13.288 acres	Scattered site?	[ ] Yes	[x] No	
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[x] No	
Zoning:	No zoning	Needs to be re-zoned?	[ ] Yes	[x] No	[ ] N/A

This section intentionally left blank.

TDHCA SITE INSPECTION

Inspector: Multifamily Finance Production Staff   Date: 5/23/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: commercial / vacant land   East: commercial / vacant / Hafer Rd

South: vacant land / multifamily housing   West: vacant land / medical clinic

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba Kistner   Date: 8/6/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The proposed project is located approximately 170 feet from an arterial roadway (FM 1960) and 4.25 miles from a major airport (directly under an approach/departure runway at IAH); therefore, a noise analysis must be conducted for the site" (addendum). The Underwriter determined that the subject site is approximately 4.5 miles from said airport runway. Receipt, review, and acceptance, by cost certification, of evidence that a noise study was performed and that all of the recommendations of this report were implemented is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData   Date: 7/12/2007

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): 31.89 square miles (3.19 mile radius)

The Market Analyst's Primary Market Area is encompassed by Hardy Toll Road to the East, Veteran's Memorial Drive and Antoine Drive to the South and Greens Road to the west. The Analyst's northern boundary appears to be arbitrarily drawn roughly parallel to Cypresswood Drive, approximately 0.5 miles to 0.75 miles south of Cypresswood. The Analyst's baseline population is 97K which is just below the 100,000 population limit. The Analyst indicates that the actual primary market area may be larger, but in this case is limited by TDHCA guidelines.

Secondary Market Area (SMA):

Not defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
0				N/A				

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$25,680	$29,340	$33,000	$36,660	$39,600	$42,540

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	798	0	0	798	12	0	2%
2BR/60% Rent Limit	413	-4	0	409	108	0	26%
3 BR/60% Rent Limit	178	0	0	178	84	0	47%
4 BR/60% Rent Limit	75	2	0	77	12	0	16%

Comments:

The Market Analyst's demand methodology for determining demand by unit type includes the same households in the demand for multiple unit types. While staff has allowed this overlap in the calculation of the demand for each unit type, such overlap should be excluded when calculating the overall demand in order to avoid overstating demand. The Market Analyst's determination of overall demand below conforms to the traditional method of determining demand and does not include this overlap.

OVERALL DEMAND												
			Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER												
Market Analyst	p.	53	100%	38,283	98%	37,552	27%	10,259	55%	5,657	64%	3,643
Underwriter			100%	37,464	100%	37,457	25%	9,245	40%	3,661	64%	2,358
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	55			98%	804	27%	220	55%	121	100%	121
Underwriter					100%	835	25%	206	40%	82	100%	82

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.	56	216	0	0	216	3,764	5.74%
Underwriter			216	0	0	216	2,439	8.85%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 87.7% due to older run down properties. Additionally, some projects are reporting FEMA residents are leaving, driving down occupancies. The 19 projects built since 1990 report an overall occupancy of 94.3%. Projects built since 2000 are 95.1% occupied" (p. 104).

Absorption Projections:

"We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction" (p. 102).

RENT ANALYSIS (Tenant-Paid Net Rents)								
Unit Type (% AMI)			Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	789 SF	60%	$625	$627	$720	$627	$93
2 BR	1,010 SF	60%	$754	$756	$860	$756	$104
2 BR	1,044 SF	60%	$754	$756	$860	$756	$104
3 BR	1,255 SF	60%	$871	$873	$1,105	$873	$232
4 BR	1,561 SF	60%	$967	$970	$1,300	$970	$330
4 BR	1,685 SF	60%	$967	$970	$1,300	$970	$330

Market Impact:

"The subject community has a unit mix that will be appealing to both singles and families. The proposed size of the units compares well, and the amenities offered will make the subject project competitive in the market place" (p. 110).

Comments:

The Market Analyst's and Underwriter's inclusive capture rates are well below the Department's maximum of 25% for urban properties targeting families. Moreover, the Market Study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 912 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 383 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 6/4/2008

The Applicant's rents are based on the 2008 gross program rent limits less utility allowances from Diamond Property Consultants, Inc. The utility study provided appears to rely upon an estimate from the electric utility provider, Cirro Energy, and the applicable PHA allowances for gas. The Underwriter has also used the utility allowance study to derive net rents that are comparable to the Applicant's. These rent levels appear to be achievable according to the Market Analyst.

The Applicant's secondary income of $15 per unit per month and vacancy and collection loss of 7.5% are each in line with Department standards. Moreover, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 6/4/2008

The Applicant's total operating expense estimate of $4,433 per unit is within 5% of the Underwriter's estimate of $4,491 per unit derived from the TDHCA expense database, IREM data, and other sources.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The proforma yields a Year One DCR below the current underwriting minimum of 1.15. As a result, the permanent debt will be reduced to a level that yields an acceptable DCR within the parameters of the Department's guideline. This is discussed in detail in the conclusions section below.

Of note, the terms of the Applicant's permanent debt changed during underwriting, but the Applicant did not update the annual debt service in the proforma. The revised terms resulted in higher debt service, and therefore, a lower projected DCR. The updated terms are reflected in the latest sources and uses.

Feasibility:

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

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	13.9 acres	$768,400	Tax Year:	2007
One Acre:		$55,286	Valuation by:	Harris CAD
Land Only:	13.3	$734,748	Tax Rate:	3.52797

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Contract (w/Five Amendments) Acreage: 13.29

Contract Expiration: 8/31/2008 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,620,955 Other:

Seller: T.J Wynne/J.J. Wynne/Western State Related to Development Team? [ ] Yes [x] No

Comments:

The Second Amendment indicates that the seller will convey to the Buyer the approximately 1.25 acre Butterfield Road Right-of-Way. Additionally, the Seller will credit the Buyer $85,450 for the development of Butterfield Road and the Buyer will be responsible for development of this roadway. Butterfield Road will provide the primary access to the subject development.

The Applicant has included in the development cost schedule $80,000 in off-site costs for the development of this roadway and has included the full amount of the Seller credit of $85,450 in the sources of funds. The Applicant has provided support, as discussed below, for the $80,000 estimate. The Underwriter has also included $85,450 as a source of funds and $80,000 in off-site costs in the development cost schedule. The inclusion of this cost as both a use and the sellers contribution as a source of funds has no impact on the credit or bond amount in this case because the amounts generally offset each other.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/6/2008

Acquisition Value:

The Applicant has provided a contract for the purchase of 13.29 acres for $121,968 per acre or $7,504 per unit. The transaction appears to be arms-length and, therefore, the purchase price is assumed to be reasonable.

The Fourth and Fifth Amendments indicate that the for each month that the contract is extended beyond November 30, 2007, the purchase price will increase by $3,000. The Applicant has indicated that they expect to close in July of 2008, which equates to 8 one-month extensions or a $24,000 increase in the purchase price. The Applicant has not reflected this increase in the acquisition cost; however, the Underwriter has included this additional cost and has increased the deferred developer fees in the recommended sources and uses of funds to account for this additional cost.

As indicated previously, an additional 1.25 acre Right-of-Way for the development of Butterfield Road will be conveyed to the Applicant, the Applicant will be responsible for paving said roadway, and the Seller will credit the Buyer $85,450 for development of the roadway. The Applicant and Underwriter have reflected the credit as a source of funds and the estimated cost of the roadway as an off-site cost.

Off-Site Cost:

As indicated above, the Applicant will be responsible for paving the Butterfield Right-of-Way and has therefore included $80,000 in off-site cost. The Applicant has provided a breakdown from a third-party professional engineer to support this estimate.

Sitework Cost:

The Applicant has included exactly $9,000 per unit in sitework costs, which is the Department's current threshold. Any increase in projected sitework costs would require support from a third party professional engineer and CPA; however, no further documentation is required at this time.

Direct Construction Cost:

The Applicant's direct construction cost estimate is 4% or $416K lower than the Underwriter's *Marshall and Swift* -derived cost estimate.

Contingency & Fees:

The Applicant included $50,000 in eligible soft cost contingency. The Underwriter has shifted this cost to the general contingency line item. The Applicant's total contingency remains below the Department's 5% limit.

Conclusion:

The Applicant's projected total development cost is within 5% of the Underwriter's estimate. Therefore, the Applicant's development cost schedule is used to calculate eligible basis and determine the need for permanent financing. An eligible basis of $20,249,920 supports an annual tax credit allocation of $924,004. This amount will be compared to the Applicant's requested allocation, and the amount determined by the gap in financing, to determine the recommended award.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 6/6/2008

Issuer: TDHCA

Source: Citi Community Capital / Citibank Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $13,900,000 Interest Rate: 6.145% ☐ Fixed Amort: 420 months

Comments:

The Applicant has received a $15,000,000 reservation of Priority 2 Private Activity Bonds from the Panhandle Regional Finance Corp (related party). The lender's letter indicates that $13.9M will be utilized and that the bonds will be credit enhanced through FreddieMac. Additionally, the Applicant anticipates a swap rate structure with a 18 year forward starting swap agreement to achieve a synthetic fixed rate most recently estimated to be 6.145% including an underlying swap rate of 4.04% plus a full stack of 1.825% and a forward start premium of 0.28%. The anticipated all in rate has increased three times during underwriting due to increases in the underlying swap rate. On June 10, 2008 the Applicant indicated that the rate had increased from 5.425% to 5.845% and the lender indicated another increase to 6.145% on June 16, 2008. This change has not been documented by an updated commitment but has been used for debt sizing by the Underwriter.

The Applicant indicated Bank of America is anticipated to be the swap counterparty. Of note, Bank of America is also the syndicator. The lender's letter indicates that an interest rate cap of 6% with a 5 year term will be required upon expiration of the swap agreement and that the borrower will be required to escrow funds to purchase said cap starting in year 13.

Source: Bank of America Type: **Syndication**

Proceeds: $8,172,132 Syndication Rate: 94% Anticipated HTC: $ 869,463

Comments:

The current credit pricing is significantly higher than the credit pricing of other similar transactions currently being considered. Should the final credit price decrease to less than $0.64, all else equal, the gap in financing would increase and the resulting deferred developer and contractor fees would not be repayable within the required 15 years. Alternatively, the credit price can increase to well over $1 before the gap in financing decreases to a level that could warrant an adjustment to the recommended credit amount.

Amount: $85,450 Type: **Road Reimbursement**

Comments:

As discussed in detail previously, the Seller has agreed to credit the Buyer $85,450 for construction of the road that is to provide access to the site. The Applicant and Underwriter have accordingly reflected this amount as a source of funds and have included the estimated cost of construction as an off-site cost in the development cost schedule.

This section intentionally left blank.

Amount:	$153,344	Type:	**GIC Interest Income**

Comments:

The Applicant has included interest income anticipated from housing the bonds in a Guaranteed Investment Contract (GIC) prior to and during construction. This projected source of funds is at the risk of the Applicant and has therefore not been included in the Underwriter's recommended sources and uses of funds.

Amount:	$1,316,224	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, due to the submission of updated terms. The current underwriting analysis assumes a decrease in the permanent loan amount to $12,575,000 based on the updated terms. As a result the development's gap in financing will increase.

While the underwritten amount is $12,575,000, the Applicant has requested $13,900,000 of their $15,000,000 reservation. Based on the underwritten proforma, this requested amount cannot be supported by net operating income unless more favorable terms are achieved. The underlying swap rate is based on the SIFMA swap index (formerly BMA index), which is at its lowest point since 2004 (1.48%). It is unlikely that there will be significant additional decreases in this index rate. In fact, the Applicant's rate has increased three times during underwriting as indicated previously. However, it is reasonable to believe that the Applicant may ultimately secure adjustments to the current terms to allow the transaction to support the requested $13,900,000. Therefore, the Underwriter recommends that the aggregate principal amount of the bonds not exceed the Applicant's requested $13,900,000 for this reason.

A 143 basis point reduction in the all-in rate would be required in order to support the full bond reservation amount of $15,000,000 which is much less likely.

The Applicant's total development cost estimate less the revised permanent loan of $12,575,000 and road reimbursement of $85,450 indicates the need for $10,990,700 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,169,341 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request ($879,252), the gap-driven amount ($1,169,341), and eligible basis-derived estimate ($924,004), the Applicant's request of $879,252 is recommended resulting in proceeds of $8,264,139 based on a syndication rate of 94%.

The Underwriter's recommended financing structure indicates the need for $2,726,561 in additional permanent funds. Deferred developer fees and contractor fees in this amount appear to be repayable from development cashflow in twelve years of stabilized operation.

Underwriter:	*Cameron Dorsey*	Date:	June 16, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	June 16, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 16, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Costa Ibiza, Houston ETJ, 4% HTC/MRB #08602

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%	12	1	1	789	$687	$627	$7,524	$0.79	$60.00	$41.31
TC 60%	96	2	2	1,010	$825	$756	$72,576	$0.75	$69.00	$41.31
TC 60%	12	2	2	1,044	$825	$756	$9,072	$0.72	$69.00	$41.31
TC 60%	84	3	2	1,255	$953	$873	$73,332	$0.70	$80.00	$53.31
TC 60%	11	4	2	1,561	$1,063	$970	$10,670	$0.62	$93.00	$70.31
TC 60%	1	4	2	1,685	$1,063	$970	$970	$0.58	$93.00	$70.31
TOTAL:	216		**AVERAGE:**	1,126		$806	$174,144	$0.72	$74.11	$47.59

INCOME	Total Net Rentable Sq Ft: 243,232			**TDHCA**	**APPLICANT**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,089,728	$2,084,400	Harris	Houston	6
Secondary Income		Per Unit Per Month:	$15.00	38,880	38,880	$15.00	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,128,608	$2,123,280			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(159,646)	(159,252)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,968,962	$1,964,028			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.84%	$350	0.31	$75,607	$64,800	$0.27	$300	3.30%
Management		3.60%	328	0.29	70,908	77,760	0.32	360	3.96%
Payroll & Payroll Tax		10.71%	976	0.87	210,795	194,400	0.80	900	9.90%
Repairs & Maintenance		4.32%	393	0.35	84,985	86,400	0.36	400	4.40%
Utilities		2.44%	222	0.20	48,024	48,400	0.20	224	2.46%
Water, Sewer, & Trash		4.43%	404	0.36	87,292	97,400	0.40	451	4.96%
Property Insurance		3.82%	348	0.31	75,262	64,800	0.27	300	3.30%
Property Tax	3.52797	11.61%	1,058	0.94	228,612	235,008	0.97	1,088	11.97%
Reserve for Replacements		2.74%	250	0.22	54,000	54,000	0.22	250	2.75%
TDHCA Compliance Fees		0.44%	40	0.04	8,640	8,640	0.04	40	0.44%
Other: Support Services		1.32%	120	0.11	25,920	25,920	0.11	120	1.32%
TOTAL EXPENSES		49.27%	$4,491	$3.99	$970,046	$957,528	$3.94	$4,433	48.75%
NET OPERATING INC		50.73%	$4,625	$4.11	$998,916	$1,006,500	$4.14	$4,660	51.25%
DEBT SERVICE									
Citibank/Tax-Exempt Bonds		49.13%	$4,479	$3.98	$967,374	$874,125	$3.59	$4,047	44.51%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		1.60%	$146	$0.13	$31,543	$132,375	$0.54	$613	6.74%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.83%	$7,616	$6.76	$1,644,955	$1,620,955	$6.66	$7,504	6.86%
Off-Sites		0.33%	370	0.33	80,000	80,000	0.33	370	0.34%
Sitework		8.07%	9,000	7.99	1,944,000	1,944,000	7.99	9,000	8.23%
Direct Construction		48.74%	54,330	48.25	11,735,276	11,319,158	46.54	52,404	47.91%
Contingency	3.68%	2.09%	2,331	2.07	503,600	503,600	2.07	2,331	2.13%
Contractor's Fees	13.57%	7.71%	8,596	7.63	1,856,843	1,856,843	7.63	8,596	7.86%
Indirect Construction		5.42%	6,043	5.37	1,305,314	1,305,314	5.37	6,043	5.52%
Ineligible Costs		5.77%	6,436	5.72	1,390,274	1,390,274	5.72	6,436	5.88%
Developer's Fees	14.65%	10.97%	12,227	10.86	2,641,000	2,641,000	10.86	12,227	11.18%
Interim Financing		2.82%	3,148	2.80	680,006	680,006	2.80	3,148	2.88%
Reserves		1.23%	1,372	1.22	296,325	286,000	1.18	1,324	1.21%
TOTAL COST		100.00%	$111,470	$98.99	$24,077,593	$23,627,150	$97.14	$109,385	100.00%
Construction Cost Recap		*66.62%*	***$74,258***	***$65.94***	***$16,039,719***	***$15,623,601***	***$64.23***	***$72,331***	*66.13%*

SOURCES OF FUNDS						**RECOMMENDED**	
Citibank/Tax-Exempt Bonds	57.73%	$64,352	$57.15	$13,900,000	$13,900,000	$12,575,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,641,000
Bank of America HTC Equity	33.94%	$37,834	$33.60	8,172,132	8,172,132	8,264,139	
Road Reimbursement	0.35%	$396	$0.35	85,450	85,450	85,450	
GIC Interest Income	0.00%	$0	$0.00	0	153,344	0	% of Dev. Fee Deferred
Deferred Developer Fees	5.47%	$6,094	$5.41	1,316,224	1,316,224	2,726,561	103%
Additional (Excess) Funds Req'd	2.51%	$2,795	$2.48	603,787	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$24,077,593	$23,627,150	$23,651,150	$4,225,590

Costa Ibiza, Houston ETJ, 4% HTC/MRB #08602

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$51.63	$12,559,014
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.00%		1.55	376,770
Roofing			0.00	0
Subfloor			(0.82)	(200,261)
Floor Cover			2.43	591,054
Breezeways/Balconies	$24.79	18,722	1.91	464,122
Plumbing Fixtures	$805	612	2.03	492,660
Rough-ins	$400	432	0.71	172,800
Built-In Appliances	$1,850	216	1.64	399,600
Exterior Stairs	$1,800	96	0.71	172,800
Interior Stairs	$1,485	12	0.07	17,820
Heating/Cooling			1.90	462,141
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$65.36	3,836	1.03	250,731
Other: fire sprinkler	$1.95	243,232	1.95	474,302
SUBTOTAL			66.74	16,233,553
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(7.34)	(1,785,691)
TOTAL DIRECT CONSTRUCTION COSTS			$59.40	$14,447,862
Plans, specs, survy, bld prm	3.90%		($2.32)	($563,467)
Interim Construction Interes	3.38%		(2.00)	(487,615)
Contractor's OH & Profit	11.50%		(6.83)	(1,661,504)
NET DIRECT CONSTRUCTION COSTS			$48.25	$11,735,276

PAYMENT COMPUTATION

Primary	$13,900,000	Amort	420
Int Rate	6.145%	DCR	1.03
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.03
Additional	$8,172,132	Amort	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	$875,160
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$131,340

Primary	$12,575,000	Amort	420
Int Rate	6.145%	DCR	1.15
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	$8,172,132	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

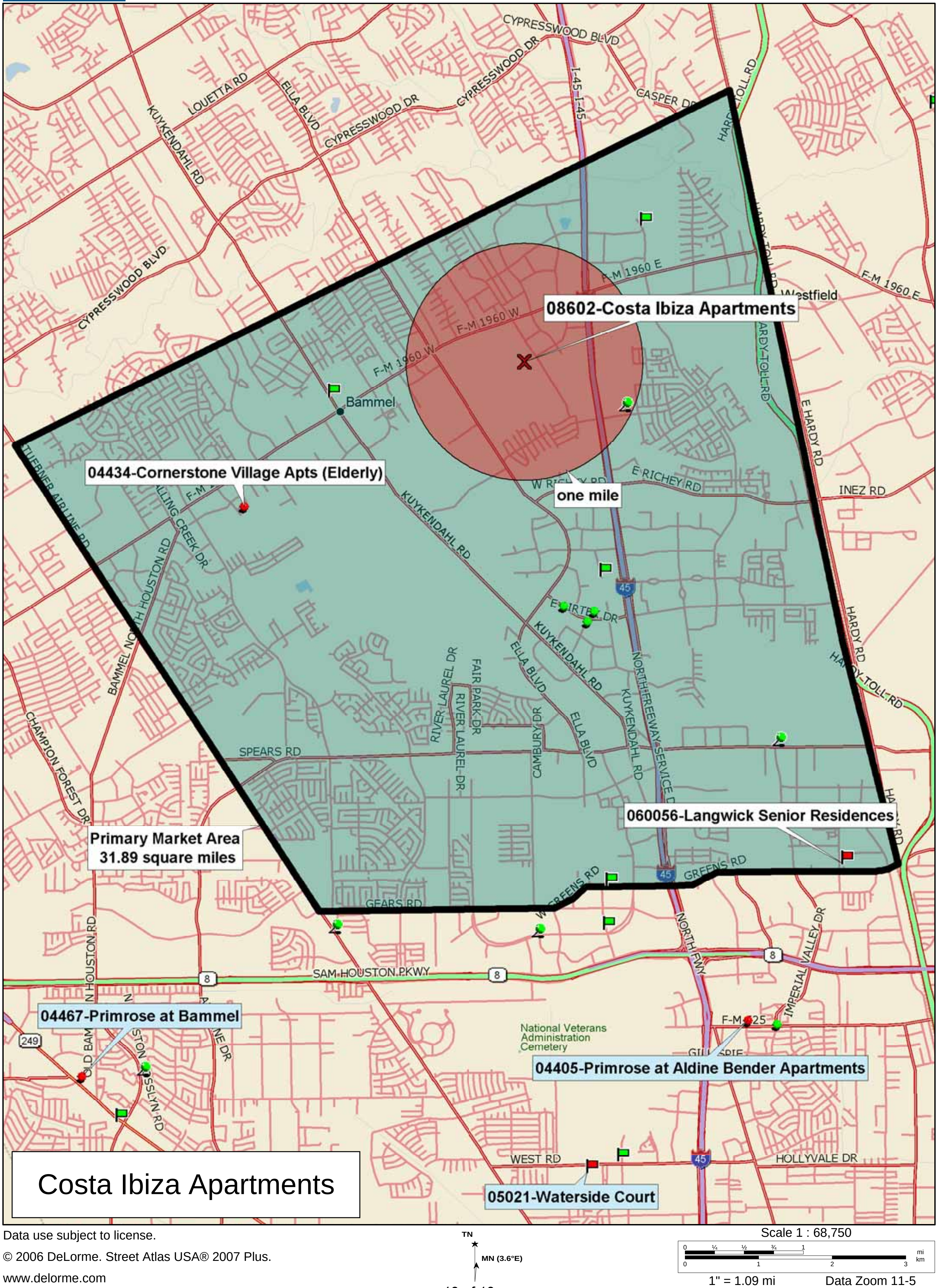
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,084,400	$2,146,932	$2,211,340	$2,277,680	$2,346,011	$2,719,669	$3,152,842	$3,655,008	$4,912,025
Secondary Income	38,880	40,046	41,248	42,485	43,760	50,730	58,809	68,176	91,623
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,123,280	2,186,978	2,252,588	2,320,165	2,389,770	2,770,399	3,211,652	3,723,184	5,003,648
Vacancy & Collection Loss	(159,252)	(164,023)	(168,944)	(174,012)	(179,233)	(207,780)	(240,874)	(279,239)	(375,274)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,964,028	$2,022,955	$2,083,644	$2,146,153	$2,210,538	$2,562,619	$2,970,778	$3,443,946	$4,628,375
EXPENSES at 4.00%									
General & Administrative	$64,800	$67,392	$70,088	$72,891	$75,807	$92,231	$112,213	$136,524	$202,089
Management	77,760	80,093	82,496	84,971	87,520	101,459	117,619	136,353	183,247
Payroll & Payroll Tax	194,400	202,176	210,263	218,674	227,421	276,692	336,638	409,571	606,266
Repairs & Maintenance	86,400	89,856	93,450	97,188	101,076	122,974	149,617	182,032	269,451
Utilities	48,400	50,336	52,349	54,443	56,621	68,888	83,813	101,972	150,943
Water, Sewer & Trash	97,400	101,296	105,348	109,562	113,944	138,631	168,665	205,207	303,757
Insurance	64,800	67,392	70,088	72,891	75,807	92,231	112,213	136,524	202,089
Property Tax	235,008	244,408	254,185	264,352	274,926	334,490	406,958	495,126	732,908
Reserve for Replacements	54,000	56,160	58,406	60,743	63,172	76,859	93,511	113,770	168,407
Other	34,560	35,942	37,380	38,875	40,430	49,190	59,847	72,813	107,781
TOTAL EXPENSES	$957,528	$995,052	$1,034,053	$1,074,590	$1,116,724	$1,353,644	$1,641,093	$1,989,892	$2,926,937
NET OPERATING INCOME	$1,006,500	$1,027,903	$1,049,591	$1,071,563	$1,093,814	$1,208,975	$1,329,685	$1,454,054	$1,701,438
DEBT SERVICE									
First Lien Financing	$875,160	$875,160	$875,160	$875,160	$875,160	$875,160	$875,160	$875,160	$875,160
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	$131,340	$152,743	$174,431	$196,403	$218,653	$333,815	$454,525	$578,894	$826,278
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.25	1.38	1.52	1.66	1.94

HTC ALLOCATION ANALYSIS -Costa Ibiza, Houston ETJ, 4% HTC/MRB #08602

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,620,955	$1,644,955		
Purchase of buildings				
Off-Site Improvements	$80,000	$80,000		
Sitework	$1,944,000	$1,944,000	$1,944,000	$1,944,000
Construction Hard Costs	$11,319,158	$11,735,276	$11,319,158	$11,735,276
Contractor Fees	$1,856,843	$1,856,843	$1,856,842	$1,856,843
Contingencies	$503,600	$503,600	$503,600	$503,600
Eligible Indirect Fees	$1,305,314	$1,305,314	$1,305,314	$1,305,314
Eligible Financing Fees	$680,006	$680,006	$680,006	$680,006
All Ineligible Costs	$1,390,274	$1,390,274		
Developer Fees				
Developer Fees	$2,641,000	$2,641,000	$2,641,000	$2,641,000
Development Reserves	$286,000	$296,325		
TOTAL DEVELOPMENT COSTS	$23,627,150	$24,077,593	$20,249,920	$20,666,039

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		$20,249,920	$20,666,039
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$26,324,896	$26,865,851
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$26,324,896	$26,865,851
Applicable Percentage		3.51%	3.51%
TOTAL AMOUNT OF TAX CREDITS		$924,004	$942,991
Syndication Proceeds	**0.9399**	**$8,684,765**	**$8,863,229**
Total Tax Credits (Eligible Basis Method)		**$924,004**	**$942,991**
Syndication Proceeds		**$8,684,765**	**$8,863,229**
Requested Tax Credits		**$879,252**	
Syndication Proceeds		**$8,264,139**	
Gap of Syndication Proceeds Needed		**$10,990,700**	
Total Tax Credits (Gap Method)		**$1,169,341**	



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Applicant Evaluation

Project ID # **08602** Name: **Costa Ibiza** City: **Houston**

HTC 9% [ ] HTC 4% [x] HOME [ ] BOND [x] HTF [ ] SECO [ ] ESGP [ ] Other [ ]

[ ] No Previous Participation in Texas [ ] Members of the development team have been disbarred by HUD

Portfolio Management and Compliance

Total # of MF awards monitored: 4

Total # of MF awards not yet monitored or pending review: 12

SF Contract Experience [ ] Yes [x] No

Total # of SF Contracts: 0

Projects in Material Noncompliance

Yes [ ] **No** [x]

Total # of MF Projects in Material Noncompliance: 0

Projects grouped by score

0-9:	4
10-19:	0
20-29:	0

Total monitored with a score 0-29: 4

Completed by: J. Taylor Reviewer: Wendy Quackenbush

Date 5/5/2008 Date 5/9/2008

Single Audit

[x] Single audit review not applicable

[ ] Single audit review found no unresolved issues

[ ] Late single audit certification form (see comments

[ ] Past due single audit or unresolved single audit issue (see comments)

Reviewer: Betty Gallegos Date 5/9/2008

Comments (if applicable):

Financial Administration
Loan Servicing

[x] No delinquencies found [ ] Delinquencies found (see comments)

Reviewer Candace Christiansen Date 5 /7 /2008

Comments (if applicable):

Financial Administration
Financial Services

[x] No delinquencies found [ ] Delinquencies found (See Comments)

Reviewer Monica Guerra Date 5 /7 /2008

Comments (if applicable):

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
COSTA IBIZA APARTMENTS

PUBLIC HEARING

Ramada Inn - Houston North
16510 1-45 North
Houston, Texas

May 21, 2008
6:40 p.m.

BEFORE:

TERESA MORALES, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MORALES: -- Teresa Morales and I would like to proceed with the public hearing. Let the record show that it is 6:40 p.m. on Wednesday, May 21, 2008, and we are at the Ramada Inn - Houston North, located at 16510 I-45 North, Houston, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue. No decisions regarding the development will be made at this hearing.

The Department's Board is scheduled to meet to consider this transaction on June 26, 2008. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to our Board at any of their meetings. The Department staff will also accept public comment, or written comment, up to 5:00 p.m. on June 17, 2008.

The bonds will be issued as tax-exempt

multifamily revenue bonds in the aggregate principal amount not to exceed 15 million and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Costa Ibiza, Ltd., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing community described as follows: a 216-unit multifamily residential rental development to be constructed on approximately 13 acres of land located at approximately 17000 Hafer Road, Harris County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

I would now like to open the floor up for public comment. The first witness affirmation form I have is Pastor Gerald Jones. And when you come --

PASTOR JONES: -- is Gerald Jones and I'm the Pastor of Family Fellowship Church. I'm a resident at this hearing. I've lived in the 1960 area for at least 15 years, and I started pastoring a church right in this area about six years ago.

I am in support of this apartment dwelling. I did a little research on it. I went by the physical address that it's going to be built, and I've seen the apartment area, so I appreciated that. I also have communicated with a pastor who is an apartment on the north side of Houston, and got some great reviews about the apartment that is built on the north side of Houston.

So I am supporting it because of the safety and the security and services that these apartments provide for the community.

MS. MORALES: Thank you very much.

MS. DUKES: Good evening. My name is Adrienne Dukes. I've lived in this area for the past 10 years. I'm a single mother of three kids, and my biggest reason for supporting this property is because I have been looking and -- for somewhere to live that is safe for myself and my children, and this property has given me that option.

They provide safety, they provide an after school program, which is -- I'm very big on education, and that is so very, very important to me. I drill that with my kids, and that is something that this property will make available to myself and my children. And it's free. And that's something that, because I have one income coming in, that is something that is very, very, very, very appetizing to me.

So I do support this property and I wish that everyone would as well.

MR. SELF: I am in support of this apartment complex that's coming up. It's real big on people with disabilities like myself being able to get around safer and easier around apartment complexes. So I'm real big in favor of that, because where I live now, they're not very accessible for somebody with my needs. And this place regards that, and that's why I'm in big support of it. So please support it. Thank you.

MS. MORALES: Thank you for coming up.

MS. SCOTT: Thank you. My name is Thelma Scott, and the reason I'm in support of this project is because this is a very important project to me. I've worked with people with disabilities, young adults and disabled veterans -- and my company's the Barbara Jordan program.

And my husband and I, and my five children was living in different part of the city, that worked behind the scenes, and we sent a proposal in a year ago to work with NRP, and they accepted our proposal. So wherever NRP builds a property, I will have an office there to work with young adults, seniors citizens and disabled veterans to find them a job.

A job is very important. If you live in an apartment and you don't have a job, then you can't stay there. So if you have that on the property, that's a plus.

I have checked every apartment in Houston. There is no apartment complex that has a job center on it. And that is going to be something that we all will need is a job, if you don't have a job. And they're bringing so many jobs to the area.

But I'm just thankful and I'm just blessed to be a part of NRP, working along with them, and they have the best quality of apartments. My daughter is going to be moving here with me, and she's going to need an apartment, so she searched and searched and she said NRP has the best quality of apartments that she'll be living in.

People with disabilities as well, as Alvin said, need to be able to have a place that's safe and secure. And that's one thing that NRP provides, safe and secure. Another thing is that they have the option of -- the people that I'll be working with, I'll be able to take them to jobs and bring them back, and to be able to help them in the job center and research and do what I do now. And this is just -- it's such a plus.

My husband died last month, and we worked on this project diligently. And so it's just heartwarming to me to have them to accept my proposal to work with me because this is something that's dear to me. It's my vision that I will be able to work with people all over the state that has issues with a job, and I can do that.

And I cannot do that without NRP. They gave me the chance of a life time. And I'm just asking everyone to here to support this project and just give us a chance to see what we're going to be doing with this project. And thank you so much.

MS. MORALES: Thank you.

MR. STREETMAN: I'm Cecil Streetman. I live in the north part of the subdivision. I really just have a question. Our subdivision is very crowded, the schools are real crowded. I'm pretty much a political activist, I'm very aware of where the children are coming from, and they're not coming from the neighborhood.

My main concern is access and safety. This project you're talking about seems to be very unsafe. After you have built the project and left town and went about your business, Hafer is a two-lane road. It needs at least two more lanes just to maintain your project.

I don't want to pay for that. I want you to pay for it. What's your plans?

MS. MORALES: Thank you.

And the next individual is Nelwyn Hardy.

MS. HARDY: -- my concern as the gentleman before me, as well as who is going to hold their feet to the fire on the promises about the quality and keeping it at that quality.

And the other thing is, am I understanding correctly that you guys have to approve this yet? Is that correct?

MS. MORALES: That is correct.

MS. HARDY: Okay.

MR. AGARD: Thank you. My name is Albert Agard, and I've lived in this area for the past 30 years -- this 1960 area. I've seen the development in this area and I'm going with it. I'm supporting this project and the Barbara Jordan endeavors and I hope to be involved with it. I've seen pictures of some of the other projects that they've done, and I plan to do some visits. And, in fact, I've been invited by Mrs. Scott to visit some of the other sites.

So I am supporting it. I think it's a very good project, and I know that people who have concerns, but just like when I moved into my subdivision 30 years ago, I did have concerns. So I think it's the people that -- who live there are going to have to probably address some of these concerns, but I'm in support of the activity. Thank you.

MS. MORALES: Thank you.

MR. MARQUEZ: Good evening. My name is Vincent Marquez. I'm the executive director of NRC. We're a 501(c)(3) not-for-profit.

I've been doing community development work since 1993, and I can tell you, when I first met with NRP, it was pleasing. It was very pleasing because they shared the same philosophy as I shared. Because back in 1995, I received an FHA Commissioner's Award to have the first independent school inside a HUD multifamily development.

And so by going and creating affordable housing, which is definitely a class A type of property, if you go out and see it, you'll be surprised. It is awesome. It's really beautiful. And then you enhance that with the social and educational components, that's what we need to move our families and our kids forward.

So I support this project, I support this relationship, and I think you'll be very pleased.

MR. BOGANY: Good afternoon. My name is Joe Bogany. I'm a long-time Houstonian, and I've been on this side of town for 65 years.

And I would just like to say I've had a chance to walk block by block, let's say from between Northborough back to Cypress Station, and some of the living conditions are very deplorable. And I just think everybody needs a decent place that's safe to stay, you know. And everybody deserves that chance.

The NRP seems to be about the best option that I know of. And I have a wife that's disabled. She's in a wheelchair, and you want to better quality of life, but not just for her, not just for us, but for everybody.

And I think this seems to be the best bet to do it with. And thank you.

MS. MORALES: Thank you.

MS. MARTIN: Hello. My name is Stacy Martin. I support NRP in this endeavor because I am a woman with a disability, and they, as Mr. Bogany just stated, they have the best option for me because I'm a recent graduate with a single income.

Excuse me. I'm a recent graduate from college with a single income, and my income is very limited, so we're not going to do -- as a disabled person, it's very,

very, very hard to find a property that's safe and secure, as well as accessible, because a lot of these apartments that we live in, in this area, and I've lived in this area for two years, they are advertising ADA laws and accessibility, and when you go out into these properties, that's not true. So it's false.

So my reason for supporting this endeavor is because of the safety and the accessibility without them all over the 1960 corridor. And I actually got to see some of the development with NRP, and that was one of the reasons why I was very excited about jumping on to this project because I'm very passionate about this, as you can tell.

I would love for somebody to allow me the chance to educate people about people with disabilities. I'm involved with Ms. Thelma Scott with the Barbara Jordan program as well.

And not only do I support this project, but I have over 34 pages, which is 438 people that I walked, and Mr. Marquez walked, and Ms. Thelma Scott has walked, that agree with me that NRP has the best opportunity for -- I'm sorry -- multifamilies, single families, mothers with children, and disabled people that -- do not promote accessibility if it doesn't work.

Because you can't tell a person that, like myself, that you have an apartment that's acceptable for people with disabilities, and it's not, because that, to us, is so heartbreaking, because we sit here and we pay our rent and everything, and we just want to do the best we know how to do to survive.

And I think NRP is in support of that. And any of you that have opposition to that program, I just hope you remember me, when you have this opposition because this program would allow me a better, safer place to live. Thank you.

MS. CURRY: Hello. My name is Andre Curry, and I'm an African American student that will be going to the North Terrace campus of Lone Star College, with my twin sister, Angelina.

And I support the Costa Ibiza Apartments that will be built at Hafer and FM 1960. My sister and I want somewhere to live that is safe and close to where we stay to catch the bus to go to school, and the apartments are less than a block away from the bus route at FM 1960.

We have seen the photographs of the NRP Apartments and we want those kind of apartments here. Thank you for them.

MS. BELL: Hi. I'm Cynthia Bell, and I'm a mother, and for the Costa Ibiza apartments. And I have met with the developers and NRP. I've seen the pictures of the apartments, and they've managed all over Texas. They have redefined rent that's affordable for working people like me. I appreciate your help making sure that they get the money that they need to build it. Thank you.

MS. MORALES: Thank you.

MS. KGAMANE: My name is [indiscernible] and I'm supporting --

FEMALE VOICE: I don't hear you.

MS. KGAMANE: I know there are people who are opposing this project. I know guys, you have said in some way where you are today you have scattered someone. You didn't just moved to a house where you are today, you started somewhere. Just give other people a chance to start.

NRP, they're helping these people. Just give them a chance to help themselves. By doing this you will be helping. You're not helping the people or their parents. You are putting a deposit to their kids in order to know that someone has helped us be where we are today, to have a home, a safety home. Where when they leave -- when they go home, they know they're going to a better home because these apartments are very, very beautiful.

I'm aware in the school district there are different -- they're a lot different kids from different families. Just allow them, when they go home, to feel that they're going home to -- into a decent place rather than to a -- because some of these kids, they come from different races, different homes. You know, when we look at them, it's so hard to, even to express yourself to other kids who come from their homes, which are [indiscernible] than from an apartment.

Just give them a chance. Just think what God has done for you, and bless those kids to start a home knowing that they don't have homes like you have. I think tonight when you go home, you who are opposing this project, just think about it and pray about it, where I should be today if somebody had deposited something into my life and become who you are today.

Just give them a chance. Just give this developer a chance. They are here to help, not to -- you're now living in a place where you're paying many thousand dollars, and this -- this affordable people who cannot afford to pay a higher rent, you know, to establish themselves and their families, just give them a chance.

I'm here just asking you guys to help them and just bless them. Just deposit something to their children, not to their parents. If someone deposits something to a child, he will never forget what you've done for him or herself. Thank you.

MS. CURRY: My name is Angelina Curry. I am a resident in the area, and I will be attending Lone Star College. And this year my family is proud and I want to attend college.

I want to tell you that I support the Costa Ibiza Apartments. I live with my mom right now. But I want to be on my own someday. She wants to know that I will be in a safe, nice environment, like the Costa -- so I'm here in support.

MS. MORALES: Thank you.

MS. PELLEGRINO: My name is Sue Pellegrino, and I own Sue Pellegrino Real Estate. My company's been here on 1960 for 14 years; 1970 I started, and worked a couple of years before I moved here.

I am the broker on this project and I am totally honored to work with NRP. I've worked with a lot of developers, I sold a lot of property all around here, all around, probably to most of you that are in this room.

I would like to brag a little bit about this company and let you know, and it really hasn't been mentioned yet, but they started in 1994, they have built

160 projects, just like this, 700 -- 7,000 units, and they have never sold a project.

Most of my developers that I sell to that build apartments, build them, sell them, and they're gone. We need to keep these guys.

(Applause.)

MS. PELLEGRINO: And we need to be so happy that they've already been considering coming in here and building a class A project that they will keep and they will manage, and they will be here to look after our families.

We talked to Dr. Lee, who owns the medical center. Dan and I went in and sat down with her a couple of weeks ago. She has 150 employees in her medical center, which is adjacent to this property. She said 75 of her 150 employees would qualify to move in here and want to. We talked to the hospital. They have 800 employees, and over half of those employees qualify to live in this project.

People are excited that we're offering something so great that they can afford. So we need to support this. This land, it's highest invest use is apartments. If we send them away, you're going to get an apartment complex here that won't need your approval, and it'll probably built and sold.

So let's keep these guys. They're the best. They're the largest in the United States of America. The largest developer of affordable housing. We need to -- we're lucky. Thank you.

MS. STAINE-PYNE: My name is Patricia, as she said. I've lived in this area since -- 19 years. And actually, when we first moved here, we lived in some apartments right over off of -- I think it's Cypress Station. We lived there for about nine months.

And we noticed that there was a lot of flooding problems in the area, so there was some other houses that we were interested in buying in some of the communities around here, we didn't buy because we saw the flooding.

Now at the time we bought right here in North Forest, and at that time we didn't see any flooding there. But we weren't --October of -- October 31, I'll remember that, never forget it, and that was 1989. And since we've been in this subdivision, they've have different homes are flooding. And the problem is that the water goes back to the subdivision.

And you can't get in from I-45 by Star Furniture. You can come down to Hafer Road, but you can't get in there. You try to come in off of Elk, you can't get in there. Now all these stories are very -- I know it's sad because I know these people need the homes, but we will not be offering them safety if we pack them in here, unless we get Harris County to take care of their problems that they have with flooding.

You're also going to have problem with Spring ISD. Right now they're looking for another middle school. And we've paid for so many bond programs for so many different -- we expanded the high school, we expanded the middle school, we moved them all around, and now they've got to be moved again. So it's unfortunate you'll be telling a lie to these people.

I can't be here for 20 years -- how could you get soaked and not let them know the truth. And you know real estate, and this may be the best -- this might be very good, and it looks very good, but these developers, they've got -- you have to get Harris County to do their job first, and they haven't done it.

You pay for Harris County taxes. They've gone up. If these people are for disabled get into this flood then maybe they're disabled. If it's a place that's locked up, and I know, because my daughter lives in this nice security, townhome on Sugar Pine. And any time there's a blackout, the bars don't open. What's going to happen to these people?

The ones who are young and need to be in apartments -- this nice young lady, you know, you can't tell these people a lie. And if you're really interested in these people, what you have to do, number one, these are good people, let them get set up in condos, because it's a different thing when people are -- when they own it. Why can't they have ownership?

Why do we have to have these people all thinking they're going to pay their little bit of disability money to somebody else who's going to -- you know, it could be done, you have to start someplace.

Seniors, you have a lot of people living in that subdivision that they can't afford their taxes, and I'm one of them. You see this right here? And I'm a nurse. You can't have people locked into places if it floods, an ambulance can't get in, fire people can't get in. What kind of safety is that going to be?

And as far as the people in the school system, the school system -- we have a guard here. There is a police department. But the school's not even for Harris County. It's Spring ISD. They are overwhelmed. How are they going to make anything safe for you people when the new students start coming in. For us, they're overtaxed.

It's impossible.

I love these plans, they're beautiful. But how can we really -- when are we going to tell the truth? We're not telling the truth. I'm here for 19 years [indiscernible] if you try to go there, I think there's around 15- to 1700.

Now I like the program you're going to have after school, which you'll even have it, and our subdivision don't have it, because the young people need some place to go to. These apartments and buildings around, they just walk down Hafer Road. It's not safe; nothing safe about that.

People are being attacked. Young people, kids coming home from school. This is not safe to me. A building does not makes you safe, because they're very beautiful, they look good and they get all these amenities. But it's nothing safe about it.

But the people you put in here, I'm not angry at the developers. It's, well, I'm angry at is that --

MS. MORALES: I'm going to have to ask you to wrap it up, please.

MS. STAINE-PYNE: Okay. I'm angry that the government is not really working with you in the proper way to make the thing work all the time. That's the problem we have. So that's why I'm opposing it, because there's nothing safe about it. I'm sorry for taking too much time.

MS. MORALES: The next speaker is Nicole Mobley.

MS. MOBLEY: Hello. My name is Nicole Mobley, and I support the NRP, and I have heard over again, and I really think I'm going to stay with that. This is a good project that's going up right now, and it gives us all a chance to be able to support something good.

But if we lose this chance to support this, and get somebody else in here that we don't have to get permission for, you know, the area will go down. You know, just think about the houses and stuff that's already been developed already. People couldn't afford their mortgage payments or their taxes, they have to move out, and now guess who's moving inside those subdivisions, housing government people.

So I mean, NRP already stated that, that they're going to provide safety, quality and affordable housing. So I'd rather have something that I know that's going to be assured, and they're going to have working people own property versus getting the benefit of a subdivision, and everybody move out, and then go all these houses and government people moving in, tearing up, kicking windows out, you know, stuff like that.

So we have to think about, you know, right now. Because NRP is asking for permission. If we lose this, to give them the permission, we might get somebody worse and they don't have to ask for permission. So just think about the good and the bad. Go with the good, you may end up with the worse.

(Applause.)

MS. MORALES: The next speaker is Bertha Parle.

MS. PARLE: Hello. My name's Bertha Parle. I live in North Forest subdivision. We have lived in the 1960 area for almost 30 years. My kids have gone to the schools.

During the period we have seen the community change, and when we're talking about community, we're not just talking about people living in the buildings that are being proposed, we're talking about the community that is around them. And there's many of the people that live in North Forest. We live in North Forest as well, as mentioned.

There are several concerns that need to be addressed. Number one, as people have said, there's the flooding, which is very severe. People have a problem;

Hafer Road is dangerous. If you've ever been driving -- I drive down that every morning on my way to work, and the poor people walking on Hafer Road, dodging cars, and I'm trying to stop and slow down so that the people can cross. It is a dangerous street.

If you cover the bayous, with the deforestation that has already happened, it is going to be worse. So flooding is a problem, the schools are a problem, Meyer Elementary is overcrowded, Bammel is overcrowded, Westfield is getting very dangerous. These are all concerns in our community. We are the community, we live around this place.

When the developers leave, I have seen many beautiful buildings go up in this area over 30 years. You know what, 15 years later they're not so beautiful anymore. And so the community that stays, and the community that is around here, that is going to be here, that has been here.

The other problem that we have is that in any new building that comes up, we need to retention ponds. Retention ponds help us so we don't get flooded. Any new buildings bring more cement, less trees, and we get really, really in dangerous situations.

And, again, every time that there's a big storm, there's a blackout, something happens. How are these people going to get out, especially disabled, or people live -- children that are at home, young people that are alone.

So we are the community, we need to get the county first to do their job before we develop new things, because the new things are not going to work unless all the other things are taken care of. Thank you.

MS. MORALES: Thank you.

The next speaker is Dennis Parle.

MR. PARLE: My name is Dennis Parle, and I'm simply going to reiterate very briefly what my wife said, and what Pat said.

We moved into this neighborhood 20 years ago. We remember many times we could not get into the subdivision. All three entrances were flooded. We remember being blocked out of getting into the subdivision for most of the night, coming home at 5:00 in the afternoon, all the entrances were flooded, couldn't get in till 11:00 at night.

Retention ponds are essential for any construction that goes up in this area. That's a key question we have, what are you going to do about the retention ponds?

Number two is Hafer Road. And she is absolutely right. You drive up and down Hafer Road, people walking on the side, running on the side, and many times they don't move. They won't move off. I can't blame them, there's no place for them to go.

But nonetheless you have to stop and wait for the ongoing traffic to go by you so you can go around them because they're not seeing the road because they don't -- can't go either way. What are you going to do about Hafer Road, with all of this construction.

Number three is the schools, because all that transportation into the school, that comes into Meyer Elementary, and it's a problem within the neighborhood in terms of traffic volume. At 3:00 in the afternoon it is impossible sometimes to get around. We ride bikes every day and we dodge the busses and dodge the cars that are coming in.

So these are our three questions, schools, Hafer Road, retention ponds. We need to have clarification of that.

MS. MORALES: Next we have Ann McAvoy.

MS. McAVOY: Hi. My name is Ann McAvoy. I have absolutely no personal interest in this development other than the fact that I am a homeowner in Northwest

Houston, and I do attend church on Hafer Drive. And I understand the concern of the nearby residents.

I feel like Harris County does need to take care of its problems, but new development is going to occur. That's certain; it's going to happen. And of all the projects that could come in, I feel like this is a very good project. And I've done a little bit of study on it, and on the company, and I believe NRP doesn't sell their property, they manage it themselves. So they have a vested interest to keep it nice.

And I believe that they'll provide a nice affordable, safe environment to live and raise a family for those people that need it. And I think they're going to give this to people that are hard-working and deserving, and people that are looking for a hand up and not a hand down. Thank you.

(Applause.)

MS. MORALES: The next person is Francisco Rodriguez.

MR. RODRIGUEZ: Hello. My name is Francisco B. Rodriguez, III. I'm the district director for the League of United Latin American Citizens, also known as LULAC. And I happen to be the director for about a 17 county area that covers all the way from Victoria up the -- almost all the way up to the Red River and the border of Louisiana.

I have studied this project, this developer, as have two previous administrations. And each one of us has come up with an endorsement for the project, not only in here, but the one that we have planned -- or that they had planned previously in Lake Jackson and that area.

And the most appealing thing, one of the most appealing things for this is we find that developments such as this one that is being planned in your area, and mine as well, is that it affords the different economic levels to participate as occupants of this development.

And with the different economic levels comes diversity. And I think that we're all trying and striving to accept each other, and we can only do that if we live side by side, shoulder to shoulder, and work together.

And to borrow a cliche from some person that is running for president right now, it takes a village. It takes a village to be able to do better parenting, to do better programs that lend to better citizenship. And I think that that's what we all want in this country, better, responsible citizens.

And I think that the amenities that are provided by this development, the civic center, the safety, all those other features, allow for this by allowing the different social organizations -- I'm a civic organization -- allowing the social organizations to come in the, the Boy Scouts, the Girl Scouts, the other social services that come in that are to treat the elderly, the people that are infirm, that cannot make their way to the bus depot, for whatever reason, whether you have good streets, bad streets, no sidewalks, good sidewalks, or no transit metro lines.

I think it's important that we remember that, yes, we have a lot of complexes in this area. But as a person who has sat on appraisal boards and has been part of the intimate group of infrastructures in city government, we have to recognize that some of these older complexes are getting deteriorated.

And it's the new ones that will prevent the tax base with those amenities that we have mentioned that are lacking here in this area, one.

Number two, as these other properties grow older, their potential to bring in the tax revenues diminishes, that as we see here, we're bringing in -- or they're bringing in -- I don't know why I keep saying we; I've been so close to this thing -- but as you can see, they're bringing in almost a quarter of a million dollars a year on sales -- I mean, excuse me, property taxes.

That is not mentioning the amount of money that's going to be spent in sales tax revenues being brought in by the people that are going to be occupants of this project.

I think one of the most important things that we need to bear in mind also is that, as we get together, the diverse groups, whether it be by ethnicity or by religion, or by creed, or by color, whatever is the case, that, as a group, we learn how to do the self-determination by bringing in groups that will teach us good citizenship.

We elect our own people to represent us at City Councils, or County Commissioners Courtrooms, to bring the plight to their attention in this area. And it teaches us how to become leaders in the community, and it teaches you children that, Hey, look, mom and dad are doing the right thing. They're speaking up for us, and when it comes our turn we need to speak up for those things that are right and just in this community.

I want to add one other thing. I'm a multi-recipient of the Purple Heart, as well as a decorated veteran. I am somewhat, 60-70 percent disabled. You can't tell that because I'm not going to show you my scars. But the fact remains that my government only gives me, should I apply for the disability, would only give me something like $700 a month.

And in my old age, and I am there, I'm already at the old age -- but in my older age, I am going to be looking for something like this, because my social security -- and it's not because -- for lack of effort, but because I've chosen to do this type of work, civic work, I am not going to be able to afford to live on, what is it, Riverview, Riverside in Houston? Yeah, Country Club we used to call it where I came from in Corpus Christi.

So I'm looking for something like this and I bet that I, as a person that worked so hard and gave so much blood and shed so much blood for my country, that I am entitled to, if I can afford, some upscale housing. I think I'm entitled to that by virtue of what I did for this country.

And I think that by virtue of what a lot of you have giving to this country by working hard, by doing the right thing, raising -- trying to raise your children right, that you are also entitled to live in good accommodations.

But I think that would be -- the deficiencies that exist, that existed for 30 years, 40 years, I heard somebody mention, why haven't they been taken care of -- thank you for reminding me of it -- why haven't they been taken care of? Maybe the new development will bring --

MS. MORALES: I'll have to ask you to wrap --

MR. RODRIGUEZ: -- light to that --

MS. MORALES: -- it up, please, sir.

MR. RODRIGUEZ: Right. Thank you very much.

MS. MORALES: The next person is Mary Davis.

MS. DAVIS: My name is Mary Davis and I'm executive director of Renaissance 1960. About a year ago, when we started into this, Dan could not have said it any clearer. We got off of to a real bad start. And I have to say, as much as a week or so ago, we were still there because I have learned, quite by accident, that this meeting was happening.

Since that time, I have done a lot of investigation. I had done it before, but intensified it because I knew this hearing was coming. I spent today visiting the separate projects that they have under construction right now. And the quality is pretty astounding.

What I would be concerned about it what Sue has to say about if there -- it is obviously an apartment type land deal. I'm more worried about the market rate apartments coming in that I see. I was astounded.

The one thing that -- I have talked to their security people. Dan and I have looked at the plans and we're -- they're seriously considering access -- public access that is not off of -- pedestrian access I should say, that uses -- utilizes an easement and not put those kids out on the street.

What we had -- every question that we had asked them, they are responding to now. We haven't gotten all our answers yet, but we're working on it.

What I want to emphasize to each one of you who does have a question is, when that man says he'll call you back, he's going to work you to death till you call him back to get an answer. I've been very impressed with that. Our board is going to take all of this under advisement, and we'll meet prior to the deadline.

So I would just encourage you to, number one, visit the project so that you see for yourself, you don't see it on a picture, but you see for yourself that quality of the work, and that you go talk to these people.

If you have a question -- I'm not asking you to fall in love with them, I'm not even asking you to change your mind, I'm just saying they will give you the answer, and if we need to go talk to the county some more, that's what we do. That's the community working together to make all this happen. Thank you.

MS. MORALES: The next speaker is Glen Treat.

MR. TREAT: Thank you for this opportunity to speak. My name is Glen Treat, and I've lived in this area since 1975. And I oppose this. I mean some of the stories I've heard, wow, this is great, and God bless all of you, you all deserve a great place to live.

But the concern of mine is, is the road that this project is located on. You cannot step one foot off of this road without being in a ditch. And I mean a very steep ditch. Where in the world are any of these kids that leave this project -- this is a great project, and I really -- my hat's off to you, your organization for what you're doing. And I support it 100 percent. I support that. But I do not support this location.

Of all the places in Harris County, why in the world would you want to put a project that has children -- these children aren't going to stay in this project 24 hours a day, they've got to leave. They're going to walk out and go do something, and as soon as they walk out on this road, they're in danger.

I'm a retired Houston police officer, I worked for the Houston Police Department years. I'm also a real estate broker and a real estate investor, so I do feel -- and also live on Hafer Road. I see this 24 hours a day. I'm not someone who's coming here to present my thoughts to you other than being on this road and I have seen these people walking up and down this road. Night time, day time, any time. They have no place to go.

As a gentleman said earlier, when you come up this person -- when you come up to these people, you have to either stop or you've got to go way over into the oncoming lane of traffic in order to get around them.

Now I don't know of any children who's going to be able to have the safety consciousness enough to be able to watch traffic going backwards and forwards and have their timing perfectly in order to get over on the other side as traffic comes on the opposite side. And sometimes it's coming at the same time. Where are these kids going to be?

There's going to be some people getting killed on this road. I can assure you of that. There's already been a death on this road, in my front yard, about five years ago a young man hit a tree in my front yard and died there in my front yard. Now he was in a car. Can you imagine what it's going to be like when a seven year old is out there and gets hit by another vehicle?

That's just a safety issue. I'm not at all opposed to what you're doing. God bless you all for doing what you're doing, and every person in here has a right to live in a good quality place. But let's put that in a location that these people aren't going to get hurt as soon as they step on the road. This -- I mean this is a serious consideration.

I hear everybody talking about the great things here but nobody's discussing that. I've seen a lot of people killed as a Houston police officer. I've seen a lot of blood and guts. It's not a pretty sight. And it will happen on this road if this project is built here and these children are going to be traveling down this road.

I will assure you there will be a death out there because of this. And I hope that this can be stopped and moved to another location that's more appropriate. I support it 100 percent, but let's put in an area where at least you have a sidewalk to walk down. There's nothing here. Nothing but a ditch. A very narrow two-lane road.

So this is not a good place. Those are my thoughts and views. As a real estate broker, I've lived in this area since 1975, and as a Houston police officer, this is not safe. It is in no means safe. So I ask everyone to consider that as you talk about this issue. Let's move it to a place that's more appropriate and safe for the children. Thank you.

MS. TAYLOR: My name is Sandra Taylor, and I live in North Forest subdivision. And I have to agree with what these folks have said. I just came down Hafer Road this afternoon to the doctor's office. I had to wait because a man was walking down the street close to traffic -- but all traffic coming to me to stop so I could go by.

But the quality of our subdivision, I've lived in that subdivision for 32 years, and it's not the same as it was 32 years ago. We've got a lot of people in apartments around us. We're -- would be pleased to have you there, but there's too many people. We have too many people for the area, for the school. It's unbelievable. I have children who've gone through from elementary school.

I live a block from the school, a half a block. And you could get through my subdivision if you had to in an emergency between 7:30 in the morning and 9:00. You couldn't get out of there, if there was emergency, you would just be in trouble. And we also have that same problem in the afternoon. Anybody who's trying to get through that subdivision is -- you're dead stopped.

So if there's high water, any kind of adversity what so ever -- my heart goes out to all the people who need a lovely place to live, we all need that. We want it for everybody. But until that road is widened or something, it's not a good place. Thank you.

MS. MORALES: Next we have Katherine Wiggins.

MS. WIGGINS: My name is Katherine Wiggins and I do live in North Forest subdivision also. I do agree with everybody that's spoken. Hafer Road is an unsafe road to be on. It's two lanes, there's no sidewalk. People cannot walk and drive at the same time.

The schools are very overcrowded. Okay. Our elementary school has 1200 students that went there. When my daughter was there, there were 1600 students. Just like she said, you cannot get in and out of the subdivision at that time. It's not a safe area. I don't know if you all watch the news or anything? The 1960 area has gone down, I mean, badly. Not because of apartments, not because of anything like that. Just because. Okay.

I support what you're doing. I do believe everybody deserves a chance, but I do kind of wish that maybe we could move it further on, because there isn't enough room. There's not enough room in the schools.

It's not fair to put more kids -- your program would be great for our school district. Okay. Our district needs help as far as you have your program, but what good is it going to do if that child is in a class room that's overcrowded. I'm on the PTL, I'm a secretary on the PTL. I hear parents complain all the time because they think the class rooms are too big. Bringing in more students isn't a good thing.

If you guys want to build, build there, and another apartment -- another apartment complex came up, I guess we wouldn't have a choice. But as of right now we do have a choice, and I guess that's why we're speaking. But I do support what you're doing, and I wish it could be you guys because it does sound like it would be a great thing, but it's not really all that safe right now.

Graffiti is everywhere, police cars, ambulance, sirens are going off all the time. It's really not safe. Thank you.

MS. PILKEY: Hi. My name is Rebecca Pilkey, and I think next to the last will be my husband, Lloyd Pilkey. He's right here, so --

We have been married for, what, eight months now? Yes. And right now we're living in a very small apartment, and I would like to buy some -- yes, I would love to be able to afford my own home. I'd love to. But we're just not there. We're a young couple just starting out. And I'd love that.

What we need is a development like this one that is going to provide us a secure place to live, and should we have children soon, hopefully, which we might --

(General laughter.)

MS. PILKEY: -- not that soon, we'd like to have a safe place for them to live for the first few years of their lives until we could afford our own home. So, thank you.

MR. PILKEY: I would just like to add that I know I've heard a lot of the arguments for and against it. It sounds like that, you know, NRP is a great organization that seems to be bringing a quality building to the area. The alternative is someone else can come in and bring something that's not as good.

And I personally would be proud to live in a building like this, and, you know, tell my family, This is where I live, look at this. It sounds safe, it sounds community oriented, and I'd just be proud of it.

MS. MORALES: Thank you.

Carmen Shiller [phonetic], did you come back into the room?

(No response.)

MS. MORALES: What about Beth Zorin [phonetic]?

(No response.)

MS. MORALES: No? Are there any other individuals who have a witness affirmation form who would like to make public comment at this time?

(No response.)

MS. MORALES: All right. Thank you for attending this hearing. Your comments have been recorded. The meeting is now adjourned, and the time is 7:40.

(Whereupon, at 7:40 p.m., the hearing was concluded.)

QUESTION AND ANSWER SESSION

MS. MORALES: What we're going to do now is have the developer, a member of the development team, come forward and address some of the concerns and questions that were raised.

DEVELOPER: Thank you very much. Okay. I agree with a lot of the things you said about the sidewalk, and I want to show you the solution.

First, we had a professional traffic study done, and that was completed and it was shared with a couple of the traffic gurus in your 1960 corridor here. And this afternoon I got some comments from Tom Davis expressing just the concerns that you have.

Well, God was watching all of us, God in the surveyor that is. And if you look here, the original developers of the property -- sorry to block you out of here -- had the same concern when they platted it, and there is a direct easement right out to 1960. So nobody has to go out onto the street at all. There would be no reason for it, other than cars.

We're going to pave it, and then we have a card access gate here for our residents. And the bus stop -- I talked with Mary a little bit about working to move the bus stop a bit closer to that gate so we can handle that access. So I hope that helps address that concern. I feel the same way.

The second is traffic coming out. And we're going to help alleviate the traffic problem. You already have a traffic problem there with the cars. I understand that. Now this is -- there's a difference between a problem and a problem that's stated as such, so I agree with you there's an issue.

But there's also a solution to the issue. Fortunately, again, through the good design of this property originally, Farfield [phonetic] Road. Farfield Road's not built yet. So Farfield Road is going to be built by us in combination with the adjacent land owners who had to ask for more money for it, and it comes out right here and connects in to the road going right up the Starbucks. So you'll have another access there.

FEMALE VOICE: It's going to go all the way to Ella.

DEVELOPER: All the way to Ella. Excuse me. You asked me that before, and I wasn't sure, because I haven't really gone back out there. That's right. I thought it showed --

FEMALE VOICE: And Jerretto [phonetic].

DEVELOPER: And Jerretto. Okay. So that'll be two additional access points, which will help a great deal.

On the flooding issue, we hire profession engineers to design detention systems. Now I come from San Antonio. And for those of you who know San Antonio, we've got a lot of big hills. And we're real dry and we get a lot of water real fast, and the areas that looked like that they were deserts are swamps in a minute. And then in a minute and for a minute could still do a lot of damage. So when I started my career, I told the engineers, Never, ever flood one of the other properties.

And if you look here, we have a detention pond here, and we will completely drain that site. And I'll tell you, if you come up -- I had neighborhoods that swore my sites were going to flood up. This doesn't show as a site that floods, this particular piece of land. And there's no indication of --

FEMALE VOICE: Neither is North Forest.

FEMALE VOICE: Right. We just --

DEVELOPER: But we do have a professional detention system. And you don't see that in the single family subdivisions, so this is a very high quality detention system.

And if any of you want to get into specifics on the detention system, I'll be glad to connect you with our engineer. So just come see me, give me your name and I'll mail that to you.

I've been directed to show this more in great detail. This is a study that's done by the National Association of Home Builders, and this shows the total economic impact -- you all will want to look at this. This is real complicated, but if you look over at the permanent section, this shows from the initial people what they'll spend, how many retail jobs are created, how much they'll pay in sales taxes, and how much we will pay in property taxes.

And if you look here, the total per year revenue is not 240,000, it's 776,000. That revenue is going to go a long way to solving a lot of the infrastructure problems.

I understand that people don't want change. I don't want change. There was a vacant lot next to my house. I didn't want anyone to build there. I was lucky, a lady bought it and made a garden there. God knows how long that will last.

But there's going to be growth. And we are good at what we do, and we can be held accountable. And if you support us, you have -- Amber, you asked the question, Well, how are we held accountable? How are we held accountable? We're held accountable by these folks here who inspect our properties every year.

We're held accountable by the bank who's lending us the loan, because they're making this loan because this is a community reinvestment area, because the corridor needs investment. So they're watching us, because the last thing they want is to make a loan in an area and have us -- have the thing go downhill and have the bank's name on it. Banks are all looking for mergers and acquisitions.

I don't know if you know, the Department of the Treasury publishes materials to encourage banks to invest in redevelopment areas now. I was very surprised. So there's a lot of accountability.

And the tax credits, the tax credit investor is, I'm thinking a royal something something and I can't think of a better way to say it, so you know what I mean. The tax credit investor is a very difficult animal to deal with through the syndicators that sell the credits, through the -- they have -- you have a corporate investor putting money in.

This isn't like the old days where you have the government lending you the money, and the government paying rent. This is all private capital. I just heard today that the National Equity Fund just raised $30 million from Berkshire Hathaway, Warren Buffet. I almost said Jimmy Buffett there for a second.

(General laughter.)

DEVELOPER: And so you have people like Warren Buffet investing in this type of housing. That's what holds me accountable, because you know what, we're the best -- I hate to -- I need to be more humble about saying that, we're the biggest, but if we're not and we fail at our mission, we will be out of there, and the corporate investor will take it over. And they have rights to remove us in the documents.

And Al's worked his whole career and never did have that happen.

MALE VOICE: Thirty-five years and it hasn't. I hope to go 35 more.

DEVELOPER: Al's, of course, much older than I am.

(General laughter.)

DEVELOPER: Not really. But I hope I covered all of your questions. Did I miss any?

FEMALE VOICE: The schools.

DEVELOPER: Well, the schools. The schools are the taxes. I mean I mean I met with Dr. Draper and Allison Matney at Spring ISD. I told them about our educational programs, I told them that we're paying full taxes, because there was a rumor going around that we weren't paying taxes.

Growth is going to come and this site will be built on. I can't tell you what anyone else is going to do on this site, but I can tell you, we're going to pay taxes, we're going to have an after school program, and we're going to work with you and we'll be held accountable. I'm betting my career on it. I can't make any other promises about what anybody else is going to do.

Yes, sir.

MALE VOICE: I wanted to ask you on the corner of Hafer and FM 1960, there's a new sign about a new housing development going up.

DEVELOPER: That's us.

MALE VOICE: That's -- okay.

DEVELOPER: Yes, the yellow sign --

MALE VOICE: Yes.

DEVELOPER: -- with the pretty rendering, that's it.

MALE VOICE: So you have two going up --

DEVELOPER: No, no, this is it.

MALE VOICE: Okay.

DEVELOPER: Not two.

MALE VOICE: There's not another one going to be built --

DEVELOPER: I would like to do a senior housing, you asked me about that. I'd like -- there's more land there, and I may -- and God willing, I'll be back to you real soon.

MALE VOICE: Okay.

FEMALE VOICE: Senior housing, they don't have tax for schools. So if it's 200 units, say you have you know, a husband and wife, or a single, that means you're numbers aren't going to be so much. And, of course, they don't have the schools. We just have to throw that in, because it's true. I mean --

MALE VOICE: Well, we don't know.

(General laughter.)

FEMALE VOICE: Well, the thing is, we don't have anything in this area for seniors, and --

DEVELOPER: We want to work with you on senior. We want to work with you on senior.

FEMALE VOICE: Oh, and the other thing, you know --

DEVELOPER: I'm here to work with you.

FEMALE VOICE: -- can I say something to you?

DEVELOPER: Yes, ma'am.

FEMALE VOICE: For all the disabled people, and those who are going to have wheelchairs and stuff, the facilities, they don't have any type of transport to get them out to 1960 or whatever. It's a problem. Because we see people on 1960 in wheelchairs or scooters, and I believe probably ten years ago, they were supposed to have special areas that were supposed to be --

DEVELOPER: May I address that? I'd love to address that. Thanks to the advocacy of the disability community, we have been building for many years meeting Section 504, which is the highest standard for accountability, it's higher than ADA. We have 5 percent of our units are fully built out for mobility accessibility, and 2 percent of our units are built out for visual and audio handicapped.

In addition, we have an accessible -- you used to not -- you used to be able to say -- you make somebody get in the car and drive to another building because the concept of visibility wasn't in the regulations. And now it is, and you can wheel through our entire property. All of our properties are barrier free and you'll be able to go barrier free out that pedestrian gate and directly to 1960.

FEMALE VOICE: So they're going to make provisions along the roadway here?

DEVELOPER: I don't -- I can't address all of 1960. We've been -- I hope to, I hope to be here to continue to work with you all in Renaissance on figuring out -- we just had a design planning [indiscernible] and that was one of the topics. And I'm -- Ms. Scott, I know you wanted to add something, and --

MS. SCOTT: I just wanted to let her know that each property will have a main -- a separate [indiscernible] for the disabled --

DEVELOPER: Yes, ma'am.

MS. MATTHEW: I'm Allison Matthew [phonetic] and I just think you did a remarkable job, and we did talk about the impact on the schools of this unit. And one thing that we really got a feeling about was the partnership, so we did confirm it with other school districts that had these complexes with this company, the partnership and the dedication that this company has for those partnerships with the schools.

Additionally, those recent bonds that the community passed will pay for an expansion of Hamill [phonetic] Elementary which could be -- could impact this community if boundary lines will get drawn and that. So the expansion of Hamill would help --

So we have addressed that, and we have discussed even possibly some kind of creative additional class room, community class room that gets utilized with our communities, our property.

DEVELOPER: We're talking -- and thank you, Allison, I appreciate that because I was so excited about our meeting that immediately put -- you should have -- if you don't -- if you didn't receive it today, you'll receive it tomorrow, it's a proposal to build senior housing that would add two elementary school class rooms in the senior housing.

And Dr. Draper had analyzed a case out in California, and the inter-generational programs tested the children in the class rooms in the senior two grade levels above where -- two reading levels above their grade. And in addition, the longevity of the seniors was greater because of the interaction with the children.

So it's all good. And if we can -- you know, and God willing, next week we'll sign that next deal, and we'll be back to you soon. Thank you.

FEMALE VOICE: I have a question. Now that I'm part of this, just because I have -- own a house that I rent out in Harris County, of course, I live in Montgomery County.

But I'm sitting here and I'm listening [indiscernible] and everything else and when you're talking about safety with apartments, not knowing what management will do and you talk about a lady here that's a single mom who has children alone, and, of course, you've got people that don't have children, what have you. But in Conroe, nothing's going on in everything else in that area.

I mean, for example, just a couple of weeks ago in an apartment complex, you have kids fighting, you know, with knives, they pull knives on each other, and this happened before. Now what kind of safety were these people -- I mean, if you give them safety. I mean the cops have been called out on this family multiple times, and nothing ever happened.

What's going to happen -- what happens when somebody capable of -- somebody like this where the kids, you know, if you have a problem child, do you ever kick them out, or -- that's the best thing to do.

DEVELOPER: First you meet us in Conroe -- so, Brad, you go find the site in Conroe, and I like Conroe by the way, I like the lake a lot.

It is crucial -- the courtesy officer program that I explained, it's crucial that you work with the manager. I mean we have some people from our management company here, and, you know, where you're -- you have a kid who's carrying a knife around the property, there are always -- that's just, you know, that's a [indiscernible].

And it's just a question of management. You know, come to -- you want to see how it works, come to one of our properties, talk to a courtesy officer, and talk to a manager and they'll tell you, we're good at it.

FEMALE VOICE: Something I don't understand, something happens at the last minute and, you know, it only takes one bad seed --

DEVELOPER: I agree.

FEMALE VOICE: -- that people overlook, or don't care.

DEVELOPER: I agree.

FEMALE VOICE: You all are going to have security where you're at, but we don't have any extra security --

DEVELOPER: Well, you need to move in with us.

(General laughter and applause.)

FEMALE VOICE: But, you know, I don't think I'd qualify. If you don't, you know, if you don't take -- I'm not sure what your limit is, but, yeah.

DEVELOPER: Get an application.

(General laughter.)

MALE VOICE: Why don't you introduce --

DEVELOPER: Yes, ma'am.

FEMALE VOICE: Can I make a comment really quick on behalf of --

DEVELOPER: Please.

FEMALE VOICE: -- NRP?

DEVELOPER: Hey, could you all -- would you mind just introducing yourselves, NRP? Just all stand up from the NRP management.

MS. HERNANDEZ: I'm Melanie Hernandez [phonetic], and I'm a community assistant for Costa Verde Apartments --

FEMALE VOICE: I'm [indiscernible]. I'm the [indiscernible] specialist at [indiscernible] Apartments --

MR. KOMINSKY: My name's Matthew Kominsky [phonetic]. I'm the community manager at the brand new Commons of Grace Senior Apartments up here in Northeast Houston.

MS. GONZALES: Hi. My name is Marie Gonzales.

I'm the community manager at Costa Verde in Corpus.

MS. GARCIA: I'm Andrea Garcia. I'm the community assistant at Commons of Grace Senior Homes.

FEMALE VOICE: I did want to make a comment on partnering. I know many of you are concerned -- the most -- anybody that walks in through our doors, the first thing they ask is, Are you all tax credit, are you all -- and when we say yes, the first thing they think is, Oh, no, bad people coming in.

I've worked with a different company that had been tax credit, so I've seen different screening processes for every occupant that comes into our building. And NRP has one of the most wonderful criteria for anybody to move in. I understand everybody's concern. Management is very close, very tight-fitted to where they do hold their grab on their certain roles.

We do rental references, there's credit checks, anything you can think of, maybe employment. Anything that's bad we don't accept. We're here to try to build our community and try to help those are in need, single mothers. I have two little girls, everybody needs somebody to be able to help them out, give them a hand when they need it, people who were unfortunate enough to not be able to go to school because they became a parent --

So we want to be able to reach out to everybody. And I hope everybody realizes that this is an awesome opportunity for your community, and that's [indiscernible].

DEVELOPER: Thank you.

FEMALE VOICE: What happens if they pass the screening, and then after they are in there, do you kick them out if they don't meet those qualifications?

DEVELOPER: Well, first of all, is -- you brought up a great point. One of the failures of affordable housing in the past, the HUD public housing Section 8 programs, is you were penalized if you went over income. This is -- mostly everything has changed. It encourages you working, you know, moving upward.

But what happened is people would say, Oh, well, if I can get this manager position, or I can stay as a clerk. If is stay as the clerk, I get to keep my rent subsidy. Now we realize that was flawed in the '80s, early '80s, I mean, because you had perpetuation of poverty.

And so when the tax credit program came out in '86, it says you have to qualify your first year so that if your income goes up, and this is great, like we have --

in Houston more police qualified, but in San Antonio, because the pay scale is very similar in Houston but the income is lower, only our cadets qualified.

So you get a cadet who comes in and they qualify right after they get in, and then they get -- and then they become an officer and their income goes up, and they get to stay in that unit, and they could stay there five years and put away enough money to buy a house. And that's where most of our residents go.

If they follow the rules with us, they end up saving money and responsible financially, they end up with great credit, we'll help them. If we tell -- we like telling about good credit. And --

FEMALE VOICE: What about a --

DEVELOPER: -- they're successful --

FEMALE VOICE: -- criminal record? I mean all of a sudden they -- I mean they have a clean record, and they met all the specs and everything, then all of a sudden they're, you know, violent.

DEVELOPER: We bust them. May I tell you this story -- am I okay on time?

This is -- and this is an unpleasant situation, but yet a reality, and I'll tell you how we addressed it, and it's probably the best example.

I used to have my office in the children's program headquarters. And my -- after we were gone for a while, my partner convinced me that I needed an office, and now we're overflowing in this [indiscernible]. But I had my office in one of our properties.

And so I'd see everybody that comes in that qualifies. And this young lady came in, she was well-dressed, well-spoken, she qualifies, no criminal record. And she had her boyfriend, okay, who was on the lease, they, you know, was qualified, everybody's checked out, nothing shows up.

He is Mexican mafia. I mean, when I say Mexican mafia, I mean the real thing mafia from Mexico. Mexican national. Okay. Hard core gangster type guy. And we knew it right away. Wayne Overstreet, our sheriff, you know, knew. He's a -- you know, he's my -- the core of my program.

And so he started trespassing, boom, boom, boom, boom, boom, boom. And he wasn't on the lease, excuse me. This is what -- I'm saying it incorrectly, because he wasn't on the lease. He started showing up and that's what happened. So he started trespassing, you know, and our courtesy officers found -- peace officers, they're armed there, they can arrest somebody on the property.

So anyway, the sheriff calls and the sheriff says to him, Lay off, he's lawyered up, you know, and this happens. This is a reality. And I was disgusted. Well, guess what, the councilman was ex-SAPD and we called him up, we told him about the story, and we busted him with the SAPD, and the sheriff, our deputy could lay off like his boss said.

But that's an example of looking at it, management knew what was going on. They said, we can't solve this, Dan, we can't solve this. They kicked it up to me, and we figured out a solution. We got him out. And this whole thing, it took a month, you know, but we got him out.

And that's -- you know, you have to -- and you see, if I end up having a property here that ends up high crime -- I can't hide that I have a property, you can go on my application, look at every property we have and call them up. So there's no -- you know, it's public record.

If I have a property that becomes high crime, it's the kiss of death. On the other hand, the best thing that could ever happen in my career is if you say, I opposed Dan and he did everything he said, and I can tell a neighborhood association president to call you and you're my records. That's what I want. And only time will prove that.

Yes, sir.

MALE VOICE: I've got two questions. One is [indiscernible]. I'm looking at your graph up there.

DEVELOPER: Yes. If you want to look at this survey, this -- would you bring it back?

MALE VOICE: I'll bring it back to her.

DEVELOPER: Yes.

MALE VOICE: Let me ask you. We had trees already cleared, is that part of --

DEVELOPER: That's not us.

MALE VOICE: That's not you. So there is something else potentially --

DEVELOPER: They're doing some kind of road work down in back -- when you go straight back of the Starbucks --

FEMALE VOICE: Yes --

DEVELOPER: Can you tell me --

FEMALE VOICE: -- the acres, or how were the acres cleared?

DEVELOPER: I don't know.

Sue, do you know anything about what's going on back, way back there? I decided to ask -- No, I can tell you I started to ask them to be cleared.

FEMALE VOICE: We've been clearing --

FEMALE VOICE: -- that subdivision was already there across --

FEMALE VOICE: -- the road.

FEMALE VOICE: -- from Westfield High School [indiscernible] several hundred thousand [indiscernible].

DEVELOPER: Thank you.

MALE VOICE: That'll go all the way to Hafer?

FEMALE VOICE: I don't know how many [indiscernible] goes all the way to Hafer, but that is if you [indiscernible].

MALE VOICE: I assumed that that went [indiscernible] that clearing --

DEVELOPER: No.

MALE VOICE: So you're going to be on the other side of the apartment complex that now exists --

DEVELOPER: Across the road.

MALE VOICE: -- the yellow sign.

DEVELOPER: Where right near the yellow sign is, yes. Yes.

MALE VOICE: The retention pond is on the side of FM 1960. Is that correct?

DEVELOPER: Yes. The retention pond is in back of the medical office building. Because you're going to face the back of the building, except for the pedestrian gate.

FEMALE VOICE: [indiscernible].

DEVELOPER: Yes.

FEMALE VOICE: Not the apartment --

DEVELOPER: Yes. Or -- yes, sir.

MALE VOICE: What is your name?

DEVELOPER: Dan Markson [phonetic].

MALE VOICE: Dan, just in case this doesn't go through, there's about 1200 acres down in Champions. They've got good sidewalks, and schools are [indiscernible].

DEVELOPER: Would you call the Representative and tell her you want me to come in there?

VOICE: I'll be happy to show it to you.

DEVELOPER: Thanks.

Yes, ma'am.

FEMALE VOICE: I've seen the properties [indiscernible] on Tidwell --

DEVELOPER: Yes.

FEMALE VOICE: -- and it's beautiful.

DEVELOPER: Thank you.

FEMALE VOICE: It's very secure, it's

excellent. Excellent place for someone to live.

DEVELOPER: Thank you. I appreciate that. A lot of heart and soul went into that. And a lot of --

FEMALE VOICE: It's very --

DEVELOPER: -- and a lot of --

FEMALE VOICE: -- it's very, very nice.

DEVELOPER: -- [indiscernible].

FEMALE VOICE: It's very well-built.

DEVELOPER: Thank you.

Thank you. I hope I've done the best I can to answer all your questions, and if anyone wants to take down my number, it's -- my cell is 210-240-6217. Just feel free to call me any time.

MS. MORALES: And if anyone in attendance still would like to submit public comment, you are more than welcome to do so. Again, the Department's Board is schedule to consider this transaction on June 26, and that will be the date when they will determine whether to approve the transaction, or to deny it.

So for those of you who would like to attend the Department's Board meeting, it is open to the public and you are more than welcome to attend and address -- or voice any concerns or questions that you have directly to our Board.

And, again, the deadline for public comment is June 17. If you would like to submit any type of petitions or letters, any kind of written comment, you can do so directly to me, and I will make sure that that gets included in with our Board package of all the information with which they have to based their decision.

And, again, I would like to thank all of you for attending tonight, coming out and voicing the concerns that you have. Thank you.

DEVELOPER: Thank you all.

(Whereupon, the question and answer session was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Public Hearing

Re: Costa Ibiza Apartments

LOCATION: Houston, Texas

DATE: May 21, 2008

I do hereby certify that the foregoing pages, numbers 1 through 66, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording provided by the Texas Department of Housing and Community Affairs.

6/6/08
(Transcriber) (Date)

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

HARRIS COUNTY TEXAS

Ed Emmett

COUNTY JUDGE

June 13, 2008

Ms. Teresa Morales
Multifamily Bond Administrator
Texas Department of Housing & Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Re: Costa Ibiza, Ltd.

Dear Ms. Morales,

The Harris County Commissioners Court supports efforts to provide affordable housing to residents throughout the county. The Harris County Community and Economic Development Department's (HCCEDD) responsibility is to develop criteria for housing projects and to provide the court with their recommendation as to whether or not a particular project meets those requirements.

Based on information provided in December, it was determined that Costa Ibiza Ltd. Project failed to meet the requirements set forth in county guidelines,

HCCEDD now tells me that the Costa Ibiza project has recently met all county requirements. Therefore, please consider this letter as a **withdrawal** of the county's opposition to this project.

Should you have any questions regarding this matter, please do not hesitate to call upon me or to contact Mr. David Turkel, Director of HCCEDD at 713-578-2000.

Sincerely,

Ed Emmett

Cc: David Turkel

JERRY EVERSOLE, COMMISSIONER

June 3, 2008

06-09-08 A11:11 IN

Ms. Teresa Morales
Multifamily Bond Finance Manager
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

Dear Ms. Morales:

Please know I am withdrawing my formal opposition, dated February 26, 2008, to the proposed Costa Ibiza application submitted for 2008's Mutifamily Revenue Bond Program and Housing Tax Credit Program through the Texas Department of Housing and Community Affairs (TDHCA). Their application was submitted to develop an apartment complex in the 17,000 block of Hafer Road, Houston, Harris County, Texas 77090.

Since my February 2008 letter of opposition, NRP Group has worked with area representatives and residents to inform and educate concerned parties. Additionally, a majority of residents who attended the TDHCA Public Hearing on Wednesday, May 21, 2008 supported the proposed project. Moreover, some community entities have taken a neutral stand and Harris County Community Services (HCCS) has indicated this project meets Harris County's Concentration Policy. Therefore, I have decided to withdraw my formal opposition.

Thank you for your assistance with this matter. Should you have any questions, please contact my Community Assistance Department or me at (281) 353-8424.

Sincerely,

Jerry

Jerry Eversole
County Commissioner
Precinct 4

JE/MD/sb

cc: D. Turkel, HCCS

Support Costa Ibiza Petition

Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA!!

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Signatures collected by: Joe D Bogan (281-348-6333
13500 north Brough apt # 403

Page 2 of 3

For information about this petition, or for directions about how to make sure it is officially counted as support, please call Myra Lopez with the NRP group, LLC at 210-487-7878.

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Sean Banks		281 324 1973
[illegible] martin		409-886-4592
Leticia Rodriguez		281-258-5028
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Pernetria Bracken		281-416-1492
Karla Johnson		281-416-1492
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Cornetta Robinson	12424 Steeplewav Blvd. #527 Houston, TX 77065	832-453-4422
Kim Webb	12330 N. Gessner Rd. #428 Houston, TX 77064	832-373-8835
Dolores Webb	5350 Aeropark Dr. #8803 Houston, TX	832-279-1271
Ronnie Webb		281-683-2172
Dtrich green		832-498-4745
~~Vanessa Roldan~~		~~832-498-4745~~
Raymond James		956-212-0507
Vanessa Roldan		832-253-3928
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Sharon Thomas	13341 FM 1725	drsharonathomas@sbcglobal.net
Maimie Abozeo	6006 Viking	maimiea@yahoo.com

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1434 pages

Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Eugene Jackson	13355 NorthBorough	281-876-9398
Anthony montgomery	13800 Ella 302 30[illegible]	281-872-8274
Martin Mendez	138cc Ella #102	713-891-711[illegible]
John A. Robinson	13800 Ella blvd. B108	832-665-5469
[illegible]	13800 Ella Blvd B207	281-877-7610
Moore, Christina	13800 Ella Blvd.	3100140990
James Moore	13800 Ella Blvd	318-245-4399
Cynthia Flores	1300 Ella Blvd	915-694-2283
Rehonie Brown	13878 ELLA BLVD	281-877-9835
Empt	(very Bad Shape) 13[illegible] Ella (Grocery)	pecans
empt	1300 1307 Ella smells (Chimney)	Pecans
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Lance Gabriel	14080 Ella Blvd 1704	832-260-0260
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Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Less Lopez	910 Cypress Station	432-633 9619
[illegible]	910 Cypress Station	~~409~~-590-8597
Tiffany miller	910 cypress Station 804	409 540-8597
~~Mark Roberts~~	~~910 Cypress Station~~	~~409-540-8494~~
Melvin Skinner	910 Cypress Station	713-276-4282
Dale Moore	910 Cypress station	281-445-7629
Jermaine Fest	910 Cypress station	832 ~~281~~ 882-882-3602
Marissa Newton, MA	910 Cypress Station	(301) 6558126

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Renate Hein	N. B. Woodapples #400	281 876-7774
Cheryl Stewart	13500 Northborough Dr. 312	281 408-6576
Earnest Wade	211 Dominion Park #931	(281) 873-6399
Shawn Mefoyer	802 Seminar Dr.	281 820-0660
Tiffany Terry	13800 Northborough Dr	281-873-6300
Maritza Cruz	13011 Norborough Dr #715	832 715 9420
Iola Bolding	5823 FairView Forest	—
Sharon Hill	1315 Silver Morning Katy, TX	832-367-5607

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Nelda Hale	100 Hollow Tree Ln. apt 1720	281-520-3930
Lopez Hector	100 Hollow Tree LN APT 1118	281-583-0254
[illegible]	311 Hiland Cross # 404	None
Cedric Thomas	22921 Imperial Valley	281-443-9769
[illegible]	4427 Twisting Rose Dr	832-656-9317
[illegible]	2619 Rolling Glen 77373	713-213-8028
[illegible]	5922 Growing Haw 77373	(281) 821-0421
[illegible]	2619 Rolling Glen 77373	281-330-7173
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Jan M. Payne	194 E. Rainbow Ridge Cir. 77381	713-470-7750
[illegible]	4006 Arrows Spring, TX 77373	832/257-6128
Joseph L. Battista	194 E. Rainbow Ridge Circle 77381	281-465-5735
William	24311 Park Gable dr Spring 77373	281-350-1686
Jose Vasquez	100 Hallowtree ln	2815830254
Stephen Wostal	7625 Winding Trail	409-739-1994
Mario Hicks + Taveta	100 Hollow Tree Ln # 2120	(281) 537-8576
Brittany Hanson	100 Hollow Tree Ln	281-608-6709
Porsha Ham	100 Hollow Tree Lane # 1134	281-608-6705

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Kenneth Tyler	13800 Ella Blvd	832-274-7942
JUSTIN VALDEZ	13800 Ella Blvd	281-572-0891
Junius Brown	13800 Ella Blvd	713-705-2009
Duncan Smith	13800 Ell Blvd	281-570-7064
Shonquetta Lathon	13800 Ell Blvd	832-882-9165
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Erika Cristain	13800 Ella Blvd #D110	281-520-3824
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Shanda Davis	6969 Hollister #516	713 967 8233
Edar Granados	13800 Ella Blvd	832 969 4688
Falloy Washington	13800 Ella Blvd C110	832-267-7694
Nikeitha Bell	13800 Ella Blvd	832-620-8915
JOHN EDWARDS	13800 ELLA BLVD	281-877-7395

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Roshonda Marshall	13875 Ella Blv	832-746-9667
Nyka Washington	13875 Ella Blv	832-208-1225
Rosa Guidry	13875 Ella Blvd	832-352-9360
Shermane Speed	13875 Ella	832-322-6209
Joseph Ellison	13875 Ella	281-755-8045
Brigitte Hardy	13875 Ella	832-887-5395
Tiffany Jones	13875 Ella Blvd 412 Houston Tx	281-408-6751
Roshundra Gentle	5438 Park Ridge Dr Houston Tx 77053	281-835-6701
Lakesha Brown	13875 Ella Blvd	832-388-7523
Tony Turner	13875 Ella Blvd	11
Steggy martin	15330 Ella Blv	281-874-9943
Minnie martin	15330 Ella Blvd	281-874-9943
Ronnie K Bell	15330 Ella Blv.	281-874-9943
Stephanie Bogay	15330 Ella Blv	713-891-8325
T. White	13800 Ella Blvd	832-526-1164
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Sugar Ramos	13600 Ella Blvd	832-921-4864

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Linda Thomas	13875 ELLA 77014	281-874-1169
Morris Thomas	13875 ELLA 77014	281-874-1169
Muriel Hughes	13875 Ella Blvd #201	281-875-3284
Cynthia Sened	13875 Ella Blvd	281-875-3284
Felicia Hughes		281-~~872-3334~~ 580-1138
Patrice Hughes		281-~~580-1138~~ 872-3334
Lillian Williams		281-~~872~~-1138
Ivory Harris		713-530-2401
Michael Edwards		281-960-8055
Shelia Williams		281-872-1138
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Melinda R Amn	13875 Ella Blvd.	281-030-8317
Melinda J. Conng	13875 Ella Blvd	276 282 0476
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Dayu Mata	655 [illegible]	832-498-4025

Signatures collected by: Page 8 of 38

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For information about this petition, or for directions about how to make sure it is officially counted as support, please call Myra Lopez with the NRP group, LLC at 210-487-7878.

 Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA!!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Joel Saliz	3507 Brewster St Houston TX 77026	646-488-5584
Joey Harris	11022 Christmas Fern Hou TX 77094	832-889-5286
Adeer Hall	910 Apt 1202 Cypress Station Dr. H-TX 77090	832 352-8334
Kim Harris	" Apt 1207 910 Cypress Station "	(936) 697-1148
Rodney Harris	" 910 Cypress "	(936) 697-1148
[illegible] Smith	910 Cypress Station	412 537-1248
[illegible]	1003 Cypress Station	832-364-1799
[illegible]	910 Cypress Station	832 568 9503
[illegible]	910 Cypress Station	4698299714
Jonathan King	910 Cypress Station	8326053910
[illegible]	910 Cypress Station	281-537-2286
Chris Charle	910 Cypress Station	281-537-2286
[illegible]	910 Cypress Station	832-292-0375
Michelle [illegible]	910 Cypress Station	832-229-9867
[illegible]	910 Cypress Station	281-781-8738
Latonia Shaw	910 Cypress Station	713 ~~281~~ 344-5463
Christopher [illegible]	910 Cypress Station	713 653-3411
[illegible]	910 Cypress Station	832 704 7713

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
[illegible]	910 cypress Station	832 754 7718
[illegible]	910 Cypress Station	832-286-4259
[illegible] Macklin	910 CYPRESS STATION	832-286-4259
[illegible]	910 Cypress Station	832-221-4786
Laura Rodriguez	APT # 2016 910 Cypress Station	832 584 9264
Nakia mckinney	APT 2019 910 CypressStation	281-810-7022
Dija [illegible]	910 Cypress Station	(281) 919-1377
Robert [illegible]	910 Cypress Station	(832) 329-8508
Laportia Hall	910 Cypress Station	(832) 322-3362
[illegible]	910 Cypress Station	(832) 444-7472
Maria G. Reyes	cypress Station	cell 8328915409
[illegible]	910 cypress station	912-222-2215
[illegible]	915 cypress Stat	
Jose Garcia	910 cypress Station	832-893-1039
Eric [illegible]	910 cypress Station	ERIC2007@YAHOO.COM
Sherry Howell	910 cypress station	281-781-7813
Marquette Harrell	910 Cypress station	832-883-1644
Shantel Harrell	Hollow tree 917	832-883-1644

Signatures collected by: [illegible] Page 11 of 23

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Support Costa Ibiza Apartments

Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)	
76	Jagostin Lorenzana	#1 Whistler Ct Spring TX 77380	2817701770	
77	Huel Saxton III	3412 Charleston Hou TX 77021	hsax3@yahoo	
78	Maribel Villafran	3423 Bakerswood Dr.		
79	Calub Pillado			5
80	Aaron Books	3018 Mayday Run Ct. Spring, TX 77373	281-353-1331	12 OF 33

Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA !!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Ann McAvoy	4011 Brightwood Dr. Houston, Tx 77068	ann.mcavoy@gmail.com
[illegible]	4011 Brightwood Dr Houston, Tx 77068	REDSOXFAN11895@GMAIL.COM
Lorenzo S. [illegible]	14811 West Rd. #4208 Houston Tx	www.Lorenzo[illegible]@Yahoo.com

Signatures collected by:

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3

 Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
61	Teresa Chacon	15455 Ella Houston TX 77090	281 8738927
62	Char Sampson	15455 Ella	832 875-7034
63	Frances Banks	3018 Mayday Run Ct. Spring, TX 77373	281-353-1331
64	Petra Pruke	211 Domenic Park #725 Houston TX 77090	
65	John Smith	4814 Raven Ridge Sugarland TX 77479	713 9475100
66	Mike Lawson	2114 Upland Park	281-545-2793
67	Angela Wang		832-563-7888
68	[illegible]		713-943-8771
69	S Patrick		713-334-2166
70	Mary Moostemayer		281-353-9345
71	Dominia Mott		832 689-7803
72	John [illegible]	18502 Huron Park Tr Humble, TX 77346	281-812-0684
73	Carmen Gonzales	6639 Harrisburg Houston TX 77011	713-884-0905
74	Crystal A Garcia	1407 Malone Houston 77007	713.269-5880
75	Alejandra Carlos	12300 Fleming dr. Houston 77013	832-726-0165

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JLB

Support Costa Ibiza Petition

Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Eladia Guajardo	14000 Ella Blvd. #1805	[illegible]
Shanttae Baines	13725 Cambory #1208	Shantae222@live.com
John Brown	13725 Camburry Mills	[illegible]
Stephen Taylor	13725 Cambury 202	832 291 7067546
Dejunque	13725 cambury 202	832 291 706754 6
Armando [illegible]	13725 Cambury # 301	917 223 6332
[illegible]	13725 Cambury	832-262-4077
Sam Villa	706 northsky	443-2828
Brandy Powell	4665 [illegible]	
Tena Harris	15530 Ella Blvd #1008	832-496-7898
Jeffery Farley	15530 Ella Blvd #1008	Same
Mary Hackett	15530 Ella Blvd #1504	713-891-8325
Pat [illegible]	15530 Ella Blvd #1804	281-248-4266
Jose Flores	15330 Ella Blvd Apt [illegible]	832 2751291
Dovie Mohr	15530 Ella Blvd 1717	832 230-5456
Sheree Jackson	15530 Ella Blvd 721	281875.3398
L. White	15530 Ella Blvd. 1808	281.905.4427
Epifanio Diaz	15530 Ella Blvd. 1808	281.873.0166

Signatures collected by: Joe L. Bogan Page 17 of 33

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Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Yenhkon Ponnie Monroe	9777 W Gulf Bank Suite 10 Houston, TX 77040	Nyenahkonponnie-monroe@yahoo.com
Carolyn Mitchell Gordon	4213 Wayne St.	Carolyngordon01@sbc.com
Brenda Mitchell	4213 Wayne St.	

Signatures collected by:

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Support Costa Ibiza Apartments

Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)	
Lincon Kariuki	777 Bateswood Houston Tx 77079	832 228 7884	2
Valerie Palmer	fm1960 77090	281 444 8757	19 OE 33

 Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
* Aundria Curry	16104 Green Manor Dr. Humble, TX 77396	281-441-2310
* Angelina Curry	↗	↗
Randee' Nealey	17519 Sugar Pine DR	832-505-2223
Kelsey Towers	17881 ButteCreek Rd.	832-286-1158
Stevencia Taylor	3550 Blodgett Apt. 4401	713-313-5764
* Charise Wilkins	3910 Trevor Hill Dr. Houston, 77066	
Nicole Mobley	17579 Sugar Pine Dr	7132538107
Curtis Mobley	17519 Sugar Pine Dr.	7132537896
Raymond Smith	16104 Green manor Dr. Humble TX 77396	281441-2310
Cynthia Bell	16104 Green manor Dr. Humble TX. 77396	281441-2310
[illegible]	905 Cypress Station Houston, TX 77090	281.757.6507
Grace Jones	1823 Corral Drive Houston TX 77090	2)6854282

12

Signatures collected by:

Support Costa Ibiza Apartments

Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
*	Kurt Kgamore	15455 Ella Blvd # 89 Houston Texas 77090	Bongiescatering @att.net
	Linda Kgamore		281 87? 1342
*	Rebecca A. Guerrero	4403 Woodhead #15 Hou, TX 77098	rebeccagp@gmail.com
*	Lloyd (Pilkey)	4403 WOODHEAD ST. #15 HOUSTON, TX 77098	lpilkey@gmail.com
	Teddy Ivanitzki	1206 Arden Forest Dr. Spring, TX 77379	copyzone@sbcglobal.net
	Gerald Jones	1893 [illegible] Dr Houston TX 77090	281 2247535

6

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
16	Michael Rivera	2307 Ave. D Rosenberg Tx 77471	832-473-8772
17	Melissa Cole	2527 Windfall Ln Sugarland, TX 77479	713-447-6188
18	Oscar Leyva	1855 Fountain View #8	713 4092166
19	Manuel Martinez	1025 Wortham Blvd. 77065 #6511	8324777458
20	Samuel Garcia	15250 Gray Ridge Houston, TX 77081	832-897-8064
21	Rufus A. Chavez	8215 Walk [illegible] TX 7783	832-665 8742
22	Adrienne Leaks	555 Butterfield Rd #110 Houston, TX 77090	(713) 301-7364
23	Dorothy Elmore	12814 Enchanted Path Houston, TX 77044	(713) 442 1174 wk#
24	Earnestine Lane	11900 City Park Central #5201	713-232-9643
25	Marcus White	616 Memorial Heights Dr. 3201 Houston, Tx 77007	713-862-2437
26	Kary Bain	P.O Box 23 Brazil TX 77413	2151[illegible]3979
27	Joni Galbreath	13501 Wordchester Sugar Land TX	
28	Ilsen Mason		(713) 271 0632
29	Cecil Woods		281 8809548
30	Rosalyn Reed	6807 Stanley	832-888-2470

Signatures collected by: R. I

15

 Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
1	CORNELIUS MARCHAN	124 EASTON GLEN LN -	281-678-8200
2	Rossi Spiller	3225 Woodland Park Ln #251	832-754-0012
3	ROSE GALBREATH	918 PARK KNOLL LN	832-549-5185
4	Amisha Jonteral Manuel	2	713-349-9093
5	JosE Argueta		713-974-0576
6	Victoria sanchez		832-279-1217
7	Ruth R. Hdz	1704 Pasadena	832-518-8719
8	Lottie Cade	300 Kir Kstall Dr. #1111	832-633-8608
9	JOEY Quinones	8638 Connaught Gardens	281-777-5912
10	Donald Miner	330 W 19th St APT 514	832-277-3380
11	Jerald Hurdle	1737 E Bay Ln 77018	713-680-1928
12	Joyce U. Oleave	7322 Dairy Ashford Houston TX 77075	281-564-0775
13	Laura Torrano	801 NASA Rd #2513 Webster, TX 77598	832-921-2434
14	Alma Aguilar	8337 BOYNER DR. HOUSTON, TX. 77017	(713)641-2287
15	Estella Garcia	8797 Hammerly Blvd. #2411	713.417.3262

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Signatures collected by: R. KEAHANE

Miss Quint

 Support Costa Ibiza Apartments

We, the Undersigned, **SUPPORT** the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
31	Carol Cox	1333 Eldridge Pkwy	carol.cox@ aiqag.com
32	Sandra Reed	121 Elwood St	713 4530198
33	Jennifer Somien	4814 Raven Ridge	832-8946872
34	Glenda McLean	8721 Town Park Dr.	281-687-6010
35	Cammie Aldridge	15700 Ella Blvd 77090	(2) 874-9488
36	Denetra Asomugha	20811 Trenton Valley Rd 77449	(7) 885-1292
37	Denise Waltman	7815 Northwoods Dr 8L 77479	(7) 252-7084
38	Cris Delgado	11002 Wallwood Houston TX 77072	281 980-8826
39	Janice Miller	8029 Schendel, Needville, Tx 77461	936-443-4738
40	S. Royster	8353 Detroit / 7701	713 242 9091
41	R. Bristo	7438 South Hall	713-572-5598
42	Virginia Baker	5401 Chimney Rock	832-258-0275
43	[illegible]		832-258-0275
44	Peter Ayo		281 493 6285
45	Narah K		832-446-2851

15

Signatures collected by:

We, the Undersigned, **SUPPORT** the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

	NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
46	Annel Alvarez	8133 Tareyton ~~Houston~~ TX 770	713 991-6372
47	Victor Martinez		713 ~~281~~ 291 9114
48	Ramona Carrion	5202 Killingsworth 77045	281-903-6606
49	Maria Alvarado		454 9443
50	[illegible]	100 Card Lane 77045	713 675 9011
51	Xavier Roberson	8333 Alabama 77004	(713) 748 2963
52	Allison Daniels	4609 Birch St	(832) 419 9495
53	AMAN HAQ	1681 CARL AVE #00 HOUSTON TX 77060	281 224 7860
54	LaMonde Howard	4203 EAST LN 77026	281-570-8435
55	Elizabeth Thompson	1105 Danbury Dr. Bowie	910 574-2701
56	Christie Lazard	14403 Cypress Meadows Dr. Houston 77047	713-731-1149
57	Ndidi Ananaba		713-218-0170
58	Laura Vetigineek		281-980-7556
59	Kristi [illegible]	8201 W. Bellfort 1302 Houston, Tx 77071	281-961-5667
60	MALCOM GUILLORY	7910 MILEY 77028	2814931827

Signatures collected by:

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
76 Johnetta Gibson	77338	ladybug0308 2000 @yahoo.c
77 [illegible]	77090	(832) 888-6778
[illegible] Jackson	77060	motekkie@yahoo.com 832 606-3386
Abigail Akindele	77073	281-443-6366
Patricia Caldwell	77088	Caldwell5221@sbcglobal.net
Maria L. Cardona	77066	281 880-6485
Elizabeth Guterm	77076	832-423-7458
Maria Perez	77037	—
Hermelinda Velasquez	77388	281 520 8649
Darlene Neal	77091	832 206-9560
Rich [illegible]	77388	8322251196
Sisa Walker	13819 Daehne Dr H. Tx	281 587 9217
Jence B.	490 Cypress Station Dr #1003 FM 1960 77090	832 797 0067
Emie Dia	17601 Wayforest Dr # 98 77060	281 260 9894
AYA Sarp	17601 Way forest 77090	832 207 5395

Signatures collected by:

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
CHERYL ANN AUBAIN	465 Cumberland Trl, Conroe 77302	281-583-2955
Sandra Nickerson	17767 S. Cypress Villa Spring, TX 77379	281-583-2955
Kierra Jordan	5615 Long Creek Ln Houston TX 77088	281-272-1502
James Jordan	5719 Long Forest 77088	281-272-1502
Lillian Scott	11943 Paramount Lane	281-580-3817
Kimberly Jordan	11943 Paramount Lane	281-50-3817
Alma Jordan	7510 Brushy ct.	281-583-2955
KATIE CHEEK	20035 FOREST DR. SPRING TX 77388	
Katherine Shelly	7510 Brushy ct.	281-583-2955
Tony Shelly	7510 Brushy ct	281-583-2955
Mark Jordan	7510 Brushy ct	281-583-2955
Randy Bellard	7510 Brushy ct	281-583-2955
Mary Green	7510 Brushy ct	281-583-2955
Julia Jordan	11943 Paramount Lane	281-444-0663
Shirley Jordan	11943 Paramount Lane	281-444-0663
Eliz Lawrence	4431 Britton	832-718-1126
RUSSELL H. CHATMAN	17318 AUTUMN OAK WAY 77379	(281) 257-1678
ANNIE L. CHATMAN	17318-AUTUMN OAK WAY (77379)	(281) 257-1678

Signatures collected by:

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Thelma Scott 281-705-7060-cell

832-748-3662-cell 281-397-[illegible]

Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Michael Jones	16815 Tappen Gates Ln	832-496-8897
Myford Collins		281-444-1220
Esperanza Sanchez	2306 West 18th St. #77	281-736-5644 713-880-0905
Winora Lainez	2303 Hazyknoll	281-893-9541
Audrey Odom	12403 Mistymont Dr.	832-237-1749
Lillian Davis	12207 De Forrest	281-587-1356
Leon Johnson	2211 Withers Rd.	281-397-8050
Marko Smith	14722 Falling Creek Dr	—
John Morris	14722 FALLING CREEK DR	832-729-6661
Zeke Williams	1447 East 33rd St	713-880-4596
Gus Barragan	6306 Fallingate Dr.	713-498-4056
Barbara Davis	12231 Sandpiper Dr	713-729-0396
Renee Ojeda		281-374-7151
Geraldine Franks	10806 Ivy St Houston Tx 77028	713-635-1395
Carol Baker	9311 Kirkchapel, Spring, TX 77379	281-370-0868
Timothy Weathers	832 West Green Rd - Hou. 77067	713-849-1318
Valeria Weathers	832 West Green Rd - Hou. 77067	713-849-1318
Felecia Bailey	12819 Azalea Creek Trails	281-660-0928

Signatures collected by:

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Thelma Scott 281-705-7060-cell 832-748-3662 - 281-397-8050-H

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Wanda Johnson	1988 1960 west	832-370-6805
Marthen Robinson	15727 Cotten rd.	832-492-5736
Martha Guevara	1976 FM 1960W #4	(281) 397-9259
Arnold Washington	12203 Old Walters Rd Apt #24	(504) 339-9851
Katherine Shelly	1978 F.M. 1960 Rd west	(281) 583-2955
Monica Vann	15915 Kuykendahl Rd #2204	281 408 3622
Duane Nichols	1974 1960 west	281-893-1918
Darrylene Woods	1603 Cabrini Trace ct	281-443-9097
C. Harris	17100 Rolling Creek	832-253-4870
Carl Gordon	200 Dominion Park #308	832-444-1667
[illegible]	1974 Fm 1960	281-706-5338
[illegible]	1988 1960 W Houston TX	(8) 375 1390
Latonya Lindsey	1163 Kingbriar Circle	832 466 4309
William Lindsey	1163 Kingbriar Circle	(7) 363 0110
Larry D. Johnson	20102 Cypresswood Glen	(8) 338-8917
[illegible] Alexander	17610 Cali Dr. Apt. 279	(281) 587-9069
Keith Calhoun	9331 Wandsworth Dr.	832 368 1679
[illegible]	1974 Fm 1960 W	281 893 1918

Signatures collected by:

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Thelma Scott 281-705-7060-cell
832-748-3662-cell 281-397-8050-0

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Michael Jones	16415 Tippen Gate Ln.	832-887-2788
Michelle Kimble	13825 Ella Blvd 906 77388	832-297-3189
Loretta Dryer	3611 Flickering Candle St.	832-563-2919
Thelma Lockett	14365 Cornerstone Village 77489	281-580-3311
Irene Walker	1833 Glenwild St. Missouri	713-206-2533
Christina Martin	802 Seminar	832-785-1656
Eddie Flowers	523 Connorvale St. 77060	281-820-6431
Nicole Pippin	1919 Guadalupe River 77026	281-444-7233
Terrance Hall	4305 Engleford St.	713-517-2072
Mannie Roby	2350 Fellows Church Dr	281-580-6129
Bruce Daniels	20034 Sunham Trail	281-883-7788
George Roberts	10950 Briar Forest	832-207-9212
Frank Lewis	4800 W. 34th St	713-373-1555
Michael Simpson	13725 Canbury Pl.	281-873-7113
Whitney Lewis	4000 Giggs Apt. 101	713-741-0844
Mark Taylor	10519 Pearl Dr	281-890-2996
Andrea Pamott	12403 Mistymont Dr. 77267	832-237-1749
Elijah Simmons	12706 Laurel Bank Way	832-969-6399

Signatures collected by:

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Thelma Scott 281-397-8060-06
281-705-7060-cell
832-[illegible]-cell

Support Costa Ibiza Petition

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NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Adrienne Dykes	905 Cypress Station	281-857-0561
[illegible]	905 Cypress Station	281-650-6660
Ashley Morgan	907 Cypress Station	281-583-8365
[illegible] Dykes	22420 Willow Lane	281-723-5904
[illegible] Parkin	905 Cypress Station	832-461-7024
Aron Mahone	905 Cypress Station S-5	713-724-3876
Montrey Mahone	905 Cypress Station S-5	713-894-8695
Kevin Scott	905 Cypress Station F-9	713-819-9199
[illegible]	905 Cypress Station S-14	713-650-6620
Crystal Nault	905 Cypress Station	713-694-7108
[illegible] Crowther	905 Cypress Station	713-448-9810
[illegible] Mahone	1203 FM 1960 W	EdithRMahone@hotmail.com
Sharday Crowther	905 Cypress Station	713-894-6253
Cedric Smith	905 Cypress Station	832-558-7503
Kandi Cox	905 Cypress Station	281-444-3612
Tim Sonnenburg	905 Cypress Station	512-350-0622
Kaylynn [illegible]	905 Cypress Station	" same
William Gregg	909 Cypress Station	281-444-3612

Signatures collected by:

Page 30 of 38

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Thelma Scott 281-397-8050-[illegible]
281-705-7060- cell
832-748-3662-cell

Support Costa Ibiza Petition

Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA !!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Jorge	Apt 1809 14330 Ella	832-788-77
Jorge Y. Santos	18330 Ella Blvd	832-748-7282
Tarra Hicks	2902 Seine Court Houston, TX 77014	2818957433
[illegible]	1445 Camellia Houston TX 77480	2814557593
[illegible]	1448 Camellia	Krystleramb@@
[illegible] (Melvin)	14107 Pinewest	281-459-6555 brother
[illegible]	14531 Ella Blvd #33B	832-870-1312
JR [illegible] Bedenho[illegible]	14531 Ella Blvd	832 487113
[illegible] Davis	13588 North Borough	2812484909
Rita Brown	8518 Crystal Lake Drive Tomball, Tx 77375	832-488-4378
Demon Cole	22727 Newcourt Place St.	832-928-4514
Dwight Jackson	16918 Spring Creek Oaks	713-594-5907
Karyn Lewis	3327 Colleville Sur Mer Ln	281-353-0421
Lisa Carr	14022 Waters Rd.	281-397-0523
Cathy Cole	22727 Newcourt Place St. Tomball, Tx 77375	832-601-7937 832-928-4514
Louise Thompson	500 Artex #2005 Bld. 20	281-877-0420
Ruthie Williams	2800 Hirchfield Rd. Spring apt. 175 77373	281-528-8539
Gerald Williams	2800 Hirchfield Rd. Spring 77373	281-528-8539

Thelma Scott 281-397-8050 281-705-7060 832-748-3662

Signatures collected by: [illegible] Keith Brown 3850 [illegible] Apt ~~[illegible]~~ 1603 Page 12 of 33 18

For information about this petition, or for directions about how to make sure it is officially counted as support, please call the NRP Group at 210-487-7878.

Thelma Scott - 832-[illegible]

Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA!!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Linda Ryamane	15455 Ella Blvd #89	281-872-1342
Ruth Ryamane	15455 Ella Blvd. #89	281-872-1342
Becky Payne	5010 Woodway Dr # 123	713-622-1457
Berlin Jackson	11023 White Thorn	281-442-3223
Juanita Jackson	3014 Hutchins St-7004	713-523-6392
Shanda Chimes	7206 Ridge Oaks	713-416-3138
Brenda David	3014 Hutchins St	713-628-2870 [illegible]
Linda Halsey	1124 Cavalcade	713-864-2937
Dyon Myree	3~~8~~14 Elm Crest Dr.	281 477-7729
Veronica Cunningham	8450 Willow Pl. Dr	281-970-8894
Margaret Villig	7319 Tall Pine Dr. 77088	832-618-2188
Ronald Ford	11508 Tom Side St.	281-570-5710
Velda Britt	4206 Rosneath Dr.	713-444-6163
Cynthia Gibbs	13915 Fraser Lake Ln	281-933-3174
Frances Banks	3018 Mayday Run Ct.	281-353-1331
Hope Henry	819 Dewalt St.	832-348-0569 281-448-5716
Ramona Black	15921 Stone Oak Ct. 77429	832-233-0028
Mrs Mosley	290 E 39th St	713-695-1649

Signatures collected by:

For information about this petition, or for directions about how to make sure it is officially counted as support, please call Myra Lopez with the NRP group, LLC at 210-487-7878.

Thelma Scott 281-397-8050 - off
281-705-7060 -cell
832-748-3662 -cell

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Support Costa Ibiza Apartments

We, the Undersigned, SUPPORT the proposed Costa Ibiza Apartments to be located at approximately 17000 Hafer Road and FM 1960, Houston, Texas.

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Margaret Eldridge	9110 Tidwell Rd ~~#6202~~ 1202	832-582-7252
Glenda Thomas	9110 Tidwell #1211	832-665-8102
Myrtle Shelley	9110 Tidwell 1107	713-388-0008
Eric Neal	12519 Thistle Creek Ct	281-888-3639
Kathryn Warfield	9110 #B13	2817487407
Cardy Valker	9110 Tidwell # 1101	713-635-0889
Melissa Hawthorne	9110 Tidwell #105	713-633-5575
Rudy W. Thomas	9110 Tidwell #1007	832-362-35 69
Luis Velazquez		832-250-8642
Diana Edmonson	9415 Deep Valley	832 264-0881
Barbara Gaston	9410 Mesa Rd	713/633-3371
Lindsey Gaston	9410 Mesa Rd	713/633-2040
Charles Taylor	9938 Valley Park	281/831-6171

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Signatures collected by:

 Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA!!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
		832 251-4115 Tony
[illegible]	820 FM 1960 W #15	281-880-7446
[illegible]	810 W F 1960 Houston, TX 77090	281-895-9994
[illegible]	830 1960 Suite C Houston	281 880 1171
[illegible]	800 1960 Suite C Houston TX 77090	281-880-1171
[illegible]	4403 Woodhead #1 77098	832-250-5130

Signatures collected by:

Page 4 of 54

For information about this petition, or for directions about how to make sure it is officially counted as support, please call the LULAC District 8 office at 713 695 5980.

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Support Costa Ibiza Petition

We, the Undersigned, believe in and support the proposed affordable housing development known as Costa Ibiza, to be located near the 17000 block of Hafer Rd. in Houston, Texas. We SUPPORT COSTA IBIZA!!

NAME (full name, do not print)	Address (address, zip code)	Contact (phone or email)
Pedro Navarrete		bigpeterxxx@yahoo.com

Signatures collected by:

For information about this petition, or for directions about how to make sure it is officially counted as support, please call Myra Lopez with the NRP group, LLC at 210-487-7878.

REQUEST FOR BOARD ACTION
Multifamily Finance Production

Private Activity Bond Program – Waiting List

1 Priority 2 Application for 2008 Waiting List

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 26, 2008

Action Item

Presentation, Discussion and Possible Approval of an Inducement Resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2008 Waiting List.

Requested Action

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2008 Private Activity Bond Program for one (1) application.

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 until August 7th for the 2008 bond program year. TDHCA has a set aside of approximately $89 million available for new 2008 applications. If the Board approves the Waiting List application listed below it will be submitted to the Texas Bond Review Board.

Inducement Resolution 08-026 includes one (1) application that was received on or before May 22, 2008. The application will reserve approximately $15 million in 2008 state volume cap. Upon Board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on the 2008 Waiting List. Board approval of the inducement resolution allows the Department to submit the application to the Bond Review Board to await a reservation of allocation. The Board has previously approved ten (10) applications for the 2008 program year.

Providence Grand Parkway, App. #08612– The proposed new construction will consist of 250 units and will target the elderly population. It will be located on Franz Road, Katy, Harris County. Demographics for the census tract (5425.00) include AMFI of $103,747; the total population is 2,387; the percent of the population that is minority is 11.10%; the number of owner occupied units is 655; number of renter occupied units is 52; and the number of vacant units is 6. (Census Information from FFIEC Geocoding for 2007).

Public Comment: The Department has not received any 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
08612 Priority 2	Providence Grand Parkway Apartments 22777 Franz Road City: Katy County: Harris *New Construction*	250 Elderly	$ 15,000,000 Score = 88	Providence Grand Parkway, Ltd. Chris Richardson 18729 FM 1887 Hempstead, TX 77445 (713) 265-4300	Recommend
Totals for Recommended Applications		**250**	**$ 15,000,000**		

RESOLUTION NO. 08-026

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the "Act") for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a "Development" and collectively, the "Developments") as more fully described in Exhibit A attached hereto. The ownership of each Development as more fully described in Exhibit A will consist of the ownership entity and its principals or a related person (each an "Owner" and collectively, the "Owners") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Board pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on Exhibit A attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on Exhibit A attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

(a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;

(b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;

(c) the financing of each Development is a public purpose and will provide a public benefit;

(d) each Owner is financially responsible; and

(e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2008 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State of the State of Texas (the "Secretary of State") and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 26th day of June, 2008.

[SEAL]

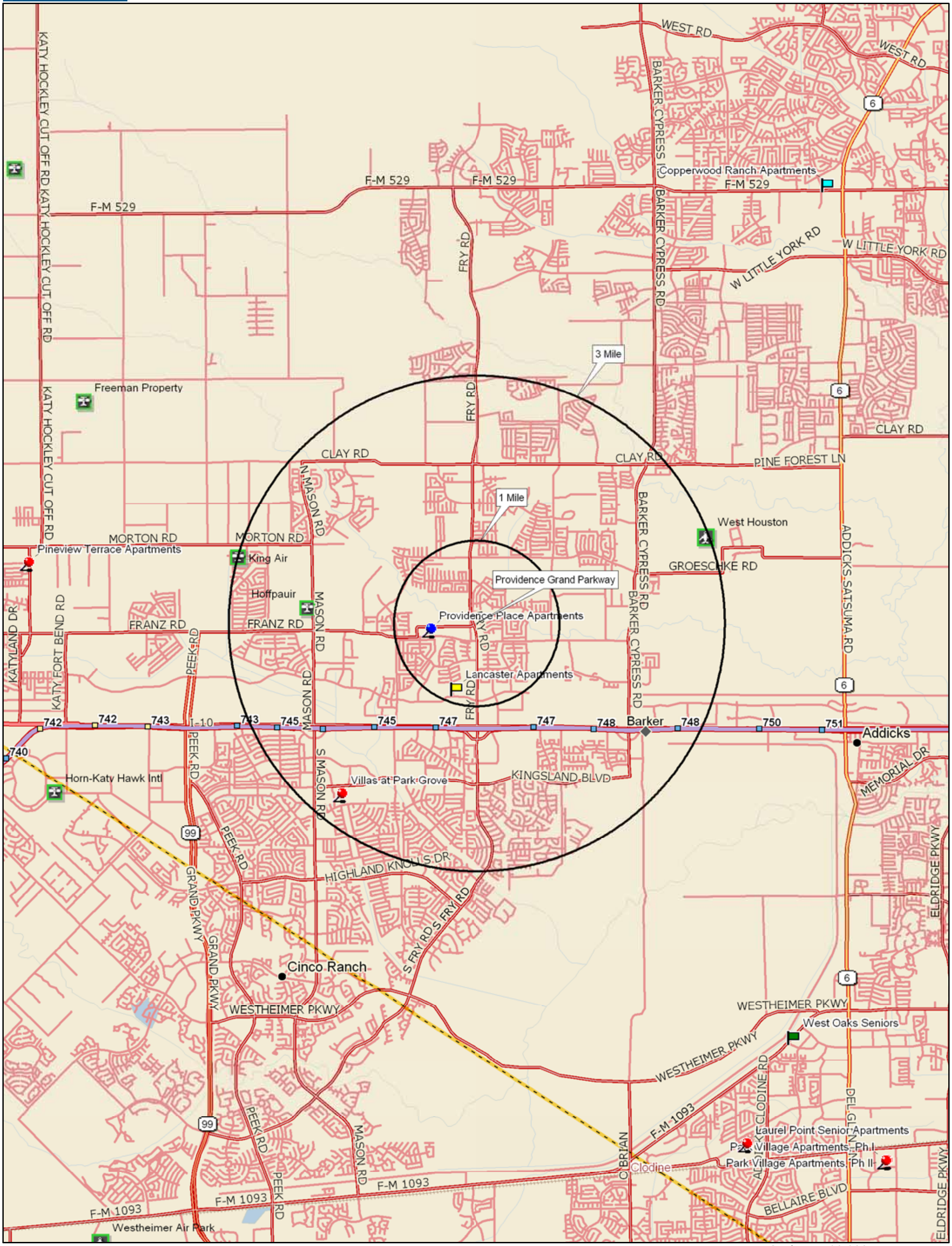
By: ___________________________________
Chairman, Governing Board

Attest: ________________________________
Secretary to the Governing Board

EXHIBIT "A"

Description of each Owner and its Development

<table>
<tr><th>Project Name</th><th>Owner</th><th>Principals</th><th>Amount Not to Exceed</th></tr>
<tr><td>Providence Grand Parkway Apartments</td><td>Providence Grand Parkway, Ltd., or other entity</td><td>The general partner of which is Blazer Land, L.L.C., or other entity</td><td>$15,000,000</td></tr>
<tr><td colspan="4">Costs: (i) acquisition of real property located at approximately 22777 Franz Road, Katy, Texas; and (ii) the construction thereon of an approximately 250-unit multifamily residential rental housing development for seniors, in the amount not to exceed $15,000,000.</td></tr>
</table>



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Scale 1 : 100,000

1" = 1.58 mi

Data Zoom 11-0

FINANCIAL ADMINISTRATION DIVISION

BOARD ACTION REQUEST

JUNE 26, 2008

Action Item

Presentation, Discussion, and possible Approval of the Legislative Appropriations Request (LAR).

Required Action

Approval of items to be included in Department's SFY 2010-2011 LAR.

Background

Legislative Appropriations Request (LAR)

Every biennium, each state agency is required to develop and submit to the Governor's Office of Budget and Planning (GOBP) and the Legislative Budget Board (LBB) a Legislative Appropriations Request (LAR). The LAR is used by the LBB, the Senate Committee on Finance, and the House Committee on Appropriations to determine appropriate funding levels for each state agency.

The LAR lays out a state agency's historic and requested funding as well as associated performance measures such as households served. During the fall, the GOBP and LBB will hold a public hearing on the agency's LAR and study the request. At the beginning of the 81st Legislative Session, the LBB will develop the first draft of the General Appropriations Act, reflecting their recommendations for the baseline budget for each agency. Thereafter, the Senate Committee on Finance and House Committee on Appropriations will hold hearings with each state agency, taking into consideration each agency's Exceptional Item and Rider Change requests. The General Appropriations Act is the end product of the budgeting process.

Baseline Funding and 10% Reduction

Within the LAR, each agency communicates to the Governor's Office and Legislature the "baseline" funding needed to continue its operations. The GOBP and LBB provide guidance to state agencies in developing their LAR and may direct state agencies to calculate their baseline funding with reduced General Revenue appropriations. For the 2010-2011 biennium, state agencies have *not* been asked to reduce their General Revenue appropriations. Instead, each state agency has been asked to identify where within its budget a 10% reduction in General Revenue could be taken with the least impact to the agency's mission in the event that such a reduction becomes necessary. Areas of reduction are to be ranked in reverse order of their impact on the agency. Each agency is directed to submit a schedule identifying these General Revenue reductions in conjunction with their LAR. (See attached *Policy Letter for LAR*.)

Exceptional Items and Rider Changes

State agencies can also request funding over and above baseline, including requests for increased staff. These are referred to as Exceptional Items. Last session, all state agencies were asked to reduce their funding by ten percent; and include an Exceptional Item requesting the return of this funding. Staff recommends that TDHCA include an Exceptional Item reinstating its General Revenue Funding within the LAR in the event that a reduction occurs. State agencies may also request changes to the Riders in their "bill pattern," or appropriations as found in the General Appropriations Act. Riders may direct how agencies use their appropriations. (See attachment for TDHCA's 2008-2009 "bill pattern," including riders.)

Actions Taken to Date and Timeline.

- The Department has requested changes to its budget structure and performance measures. The GOBP and LBB have approved the majority of these.
- Through its Strategic Planning Committee, TDHCA has identified potential Exceptional Items and Rider Change Requests to include in the LAR.
- TDHCA has estimated its "baseline" budget and developed recommendations regarding possible General Revenue reductions as directed by the GOBP and the LBB. (Note: The final reduction submitted will be based on a "baseline" figure provided by the LBB.)
- TDHCA must submit its Strategic Plan, which reflects the strategies under which the Department will request its funding (due to GOBP and LBB by July 11, 2008). See Board Action Item 5a.
- TDHCA must submit its LAR to GOBP and LBB no later than August 13, 2008.

Attachments

- 2008-2009 TDHCA Bill Pattern as found in the General Appropriations Act.
- GOBP and LBB Policy Letter Regarding 10% Reduction
- Estimated Baseline Budget (Draft LAR)
- Schedule of Proposed 10% Reduction of General Revenue
- Summary of Proposed 10% Reduction
- Proposed Exceptional Items & Rider Changes.

*The current LAR can be found on TDHCA's website at
http://www.tdhca.state.tx.us/pdf/hf/LAR_FY08-FY09-060905.pdf

Recommendations

Approve Proposed 10% Reduction Schedule, Proposed Exceptional Items, and Proposed Rider Change Requests.

ARTICLE VII

BUSINESS AND ECONOMIC DEVELOPMENT

Sec. 1. The several sums of money herein specified, or so much thereby as may be necessary, are appropriated out of any funds in the State Treasury not otherwise appropriated, or out of special funds as indicated, for the support, maintenance, or improvement of the designated business and economic development agencies.

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

	For the Years Ending August 31, 2008	August 31, 2009
Method of Financing:		
General Revenue Fund	$ 7,219,287	$ 7,262,372
Community Affairs Federal Fund No. 127	128,733,144	128,697,779
Other Funds		
Appropriated Receipts	16,586,560	16,787,596
Interagency Contracts	68,255	68,255
Subtotal, Other Funds	$ 16,654,815	$ 16,855,851
Total, Method of Financing	$ 152,607,246	$ 152,816,002
Other Direct and Indirect Costs Appropriated Elsewhere in this Act	$ 903,280	$ 947,807
This bill pattern represents an estimated 12% of this agency's estimated total available funds for the biennium.		
Number of Full-Time-Equivalents (FTE):	298.0	298.0
Schedule of Exempt Positions:		
Executive Director, Group 5[1]	$129,250	$129,250
Items of Appropriation:		
A. Goal: AFFORDABLE HOUSING		
Increase Availability of Safe/Decent/Affordable Housing.		
A.1.1. Strategy: MRB PROGRAM - SINGLE FAMILY Federal Mortgage Loans & MCCs through the SF MRB Program.	$ 955,227	$ 965,639
A.1.2. Strategy: HOME PROGRAM - SINGLE FAMILY Provide Single Family Housing through HOME Investment Program.	$ 31,126,928	$ 31,136,998
A.1.3. Strategy: HOUSING TRUST FUND - SINGLE FAMILY Provide Single Family Loans/Grants for Very Low/Low Income Households.	$ 5,393,036	$ 5,394,409
A.1.4. Strategy: SECTION 8 RENTAL ASSISTANCE Federal Rental Assistance through Section 8 Certificates and Vouchers.	$ 6,590,587	$ 6,591,062
A.1.5. Strategy: FEDERAL TAX CREDITS Provide Federal Tax Credits to Develop Rental Housing for VLI and LI.	$ 1,049,704	$ 1,057,290
A.1.6. Strategy: HOME PROGRAM - MULTIFAMILY Provide Multifamily Housing through HOME Investment Program.	$ 5,868,466	$ 5,871,327

[1] Salary amount increased from $117,516, pursuant to Article IX, § 3.05 (b).

A.1.7. **Strategy:** HOUSING TRUST FUND - MULTIFAMILY Provide MF HTF Loans/Grants for Very Low/Low Income Households.	$ 451,361	$ 453,052
A.1.8. **Strategy:** MRB PROGRAM - MULTIFAMILY Federal Mortgage Loans through the MF Mortgage Revenue Bond Program.	$ 305,256	$ 302,741
Total, Goal A: AFFORDABLE HOUSING	$ 51,740,565	$ 51,772,518
B. **Goal:** INFORMATION & ASSISTANCE Provide Information and Assistance.		
B.1.1. **Strategy:** HOUSING RESOURCE CENTER Center for Housing Research, Planning, and Communications.	$ 837,335	$ 836,636
B.2.1. **Strategy:** COLONIA SERVICE CENTERS Assist Colonias through Field Offices & Self-Help Centers.	$ 610,077	$ 614,011
Total, Goal B: INFORMATION & ASSISTANCE	$ 1,447,412	$ 1,450,647
C. **Goal:** POOR AND HOMELESS PROGRAMS Improve Poor/Homeless Living Conditions & Reduce VLI Energy Costs.		
C.1.1. **Strategy:** POVERTY-RELATED FUNDS Administer Poverty-related Federal Funds through a Network of Agencies.	$ 34,908,780	$ 34,925,797
C.2.1. **Strategy:** ENERGY ASSISTANCE PROGRAMS Administer State Energy Assistance Programs.	$ 49,858,073	$ 49,836,900
Total, Goal C: POOR AND HOMELESS PROGRAMS	$ 84,766,853	$ 84,762,697
D. **Goal:** ENSURE COMPLIANCE Ensure Compliance with Program Mandates.		
D.1.1. **Strategy:** MONITOR HOUSING REQUIREMENTS Monitor and Inspect for Federal & State Housing Program Requirements.	$ 2,149,863	$ 2,174,561
D.1.2. **Strategy:** MONITOR CONTRACT REQUIREMENTS Administer and Monitor Subrecipient Contracts.	$ 1,857,004	$ 1,809,121
Total, Goal D: ENSURE COMPLIANCE	$ 4,006,867	$ 3,983,682
E. **Goal:** MANUFACTURED HOUSING Regulate Manufactured Housing Industry.		
E.1.1. **Strategy:** TITLING AND LICENSING Provide SOL and Licensing Services in a Timely Manner.	$ 1,577,457	$ 1,635,219
E.1.2. **Strategy:** INSPECTIONS Conduct Inspections of Manufactured Homes in a Timely Manner.	$ 1,432,826	$ 1,485,023
E.1.3. **Strategy:** ENFORCEMENT Process Complaints/Conduct Investigations/Take Administrative Actions.	$ 1,444,525	$ 1,490,860
E.1.4. **Strategy:** TEXASONLINE TexasOnline fees. Estimated and Nontransferable.	$ 19,120	$ 19,120
Total, Goal E: MANUFACTURED HOUSING	$ 4,473,928	$ 4,630,222
F. **Goal:** INDIRECT ADMIN AND SUPPORT COSTS Indirect Administration and Support Costs.		
F.1.1. **Strategy:** CENTRAL ADMINISTRATION	$ 4,251,164	$ 4,278,109
F.1.2. **Strategy:** INFORMATION RESOURCE TECHNOLOGIES	$ 1,380,799	$ 1,394,138
F.1.3. **Strategy:** OPERATING/SUPPORT Operations and Support Services.	$ 539,658	$ 543,989
Total, Goal F: INDIRECT ADMIN AND SUPPORT COSTS	$ 6,171,621	$ 6,216,236
Grand Total, DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS	$ 152,607,246	$ 152,816,002

Object-of-Expense Informational Listing:		
Salaries and Wages	$ 16,114,841	$ 16,391,948
Other Personnel Costs	332,320	357,321
Professional Fees and Services	2,394,899	2,396,368
Consumable Supplies	302,239	302,939
Utilities	72,865	72,865
Travel	930,036	875,965
Rent - Building	180,930	170,930
Rent - Machine and Other	99,764	99,764
Other Operating Expense	2,439,855	2,351,756
Client Services	5,967,047	5,967,047
Grants	123,748,169	123,748,939
Capital Expenditures	24,281	80,160
Total, Object-of-Expense Informational Listing	$ 152,607,246	$ 152,816,002
Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:		
Employee Benefits		
Retirement	$ 931,570	$ 945,543
Group Insurance	1,866,956	1,906,935
Social Security	1,135,354	1,152,384
Benefits Replacement	110,072	104,568
Subtotal, Employee Benefits	$ 4,043,952	$ 4,109,430
Debt Service		
Lease Payments	$ 29,135	$ 30,545
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	$ 4,073,087	$ 4,139,975

1. **Performance Measure Targets.** The following is a listing of the key performance target levels for the Department of Housing and Community Affairs. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Department of Housing and Community Affairs. In order to achieve the objectives and service standards established by this Act, the Department of Housing and Community Affairs shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2008	2009
A. **Goal:** AFFORDABLE HOUSING		
Outcome (Results/Impact):		
Percent of Households/Individuals of Very Low, Low, and Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	.91%	.87%
Percent of Households/Individuals of Very Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	.28%	.27%
Percent of Households/Individuals of Low Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	3.15%	3.02%
Percent of Households/Individuals of Moderate Income Needing Affordable Housing That Subsequently Receive Housing or Housing-related Assistance	.1%	.08%
A.1.1. **Strategy:** MRB PROGRAM - SINGLE FAMILY		
Output (Volume):		
Number of Households Assisted with Single Family Mortgage Revenue Bond Funds	2,016	1,716
A.1.2. **Strategy:** HOME PROGRAM - SINGLE FAMILY		
Output (Volume):		
Number of Households Assisted with Single Family HOME Funds	1,255	1,255
A.1.3. **Strategy:** HOUSING TRUST FUND - SINGLE FAMILY		
Output (Volume):		
Number of Households Assisted through the Single Family Housing Trust Fund Program	228	209

A.1.4. Strategy: SECTION 8 RENTAL ASSISTANCE		
Output (Volume):		
Number of Households Assisted through Statewide Housing Assistance Payments Program	1,494	1,494
A.1.5. Strategy: FEDERAL TAX CREDITS		
Output (Volume):		
Number of Households Assisted through the Housing Tax Credit Program	12,261	11,779
A.1.6. Strategy: HOME PROGRAM - MULTIFAMILY		
Output (Volume):		
Number of Households Assisted with Multifamily HOME Funds	500	526
A.1.8. Strategy: MRB PROGRAM - MULTIFAMILY		
Output (Volume):		
Number of Households Assisted through the Multifamily Mortgage Revenue Bond Program	2,393	2,217
B. Goal: INFORMATION & ASSISTANCE		
B.1.1. Strategy: HOUSING RESOURCE CENTER		
Output (Volume):		
Number of Information and Technical Assistance Requests Completed	4,900	4,900
B.2.1. Strategy: COLONIA SERVICE CENTERS		
Output (Volume):		
Number of On-site Technical Assistance Visits Conducted Annually from the Field Offices	800	800
C. Goal: POOR AND HOMELESS PROGRAMS		
Outcome (Results/Impact):		
Percent of Persons in Poverty That Received Homeless and Poverty-related Assistance	12.32%	12.32%
Percent of Very Low Income Households Receiving Energy Assistance	4.12%	4.11%
C.1.1. Strategy: POVERTY-RELATED FUNDS		
Output (Volume):		
Number of Persons Assisted through Homeless and Poverty-related Funds	512,244	512,244
Number of Persons Assisted That Achieve Incomes above Poverty Level	2,200	2,200
Number of Shelters Assisted	73	73
C.2.1. Strategy: ENERGY ASSISTANCE PROGRAMS		
Output (Volume):		
Number of Households Assisted through the Comprehensive Energy Assistance Program	51,502	51,502
Number of Dwelling Units Weatherized by the Department	3,004	2,960
D. Goal: ENSURE COMPLIANCE		
D.1.1. Strategy: MONITOR HOUSING REQUIREMENTS		
Output (Volume):		
Total Number of Onsite Reviews Conducted	915	965
D.1.2. Strategy: MONITOR CONTRACT REQUIREMENTS		
Output (Volume):		
Total Number of Monitoring Reviews Conducted	12,715	12,765
E. Goal: MANUFACTURED HOUSING		
Outcome (Results/Impact):		
Percent of Consumer Complaint Inspections Conducted within 30 Days of Request	100%	100%
Percent of Complaints Resulting in Disciplinary Action	15%	15%
E.1.1. Strategy: TITLING AND LICENSING		
Output (Volume):		
Number of Manufactured Housing Statements of Ownership and Location (SOL) Issued	90,000	90,000
Number of Licenses Issued	4,000	4,000
E.1.2. Strategy: INSPECTIONS		
Output (Volume):		
Number of Routine Installation Inspections Conducted	6,000	6,000
Explanatory:		
Number of Installation Reports Received	20,000	20,000
E.1.3. Strategy: ENFORCEMENT		
Output (Volume):		
Number of Complaints Resolved	1,250	1,250
Efficiencies:		
Average Time for Complaint Resolution (Days)	180	180
Explanatory:		
Number of Jurisdictional Complaints Received	1,200	1,200

2. **Capital Budget.** None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to Government Code § 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software versus the purchase of information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

	2008	2009
a. Acquisition of Information Resource Technologies		
(1) Manufactured Housing Systems Upgrade	$ 175,000	$ 175,000
(2) Purchase of Information Technologies - Scheduled Replacement of Items	$ 200,000	$ 190,000
Total, Acquisition of Information Resource Technologies	$ 375,000	$ 365,000
Total, Capital Budget	$ 375,000	$ 365,000
Method of Financing (Capital Budget):		
Community Affairs Federal Fund No. 127	$ 55,998	$ 71,382
Appropriated Receipts	319,002	293,618
Total, Method of Financing	$ 375,000	$ 365,000

3. **Low/Moderate Income Housing Construction.** Out of the funds appropriated above, no less than $500,000 each year of the biennium shall be expended on low/moderate income housing construction in enterprise zone areas.

4. **Appropriations Limited to Revenue Collections.** Fees, fines, and other miscellaneous revenues as authorized and generated by the agency shall cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal E, Manufactured Housing, the cost of the appropriations required for manufactured housing consumer claims payments according to the Occupations Code § 1201, Manufactured Housing Standards Act, as well as the "other direct and indirect costs" associated with this goal, appropriated elsewhere in this Act. "Other direct and indirect costs" for Goal E, Manufactured Housing, are estimated to be $903,280 for fiscal year 2008 and $947,807 for fiscal year 2009. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

5. **Housing Assistance.** To the extent allowed by state and federal program guidelines the department shall adopt an annual goal to apply no less than $30,000,000 of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program's total housing funds toward housing assistance for individuals and families earning less than 30 percent of the Area Median Family Income (AMFI). No less than 20 percent of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program shall be spent for individuals and families earning between 31 percent and 60 percent of the area median family income. To the extent allowed by state and federal program guidelines in those counties where the area median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide an annual report to the Legislative Budget Board documenting its expenditures in each income category.

6. **Conversions of Executory Contracts.**

   a. Out of the funds appropriated above, the department shall spend not less than $4,000,000 for the biennium for the sole purpose of contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the applicable area median family income. It is the intent of the Legislature that the department shall make a good-faith effort to complete at least 200 contract for deed conversions by August 31, 2009.

b. The Department of Housing and Community Affairs shall provide a quarterly report to the Legislative Budget Board detailing the number of, and cost for each, contract for deed conversions completed.

7. **Bond Refinancing.** The department shall transfer any funds acquired through refinancing of bonds to the Housing Trust Fund. The first $3,000,000 each fiscal year in savings from the refinancing of any bonds shall be used to fund mortgage loans under the Bootstrap Self-Help Housing Loan Program.

8. **Colonia Set-Aside Program Allocation.** The Office of Rural Community Affairs shall allocate 2.5 percent of the yearly allocation of Community Development Block Grant (CDBG) monies to support the operation of the Colonia Self-Help Centers and shall transfer such funds to the Department of Housing and Community Affairs on September 1 each year of the biennium.

Consistent with federal rules and regulations, the funds provided from ORCA to the Colonia Self-Help Center in El Paso county shall be used to provide internet access and training for parents and their children attending elementary schools in colonias, to establish technology centers within those elementary school libraries, to purchase wireless devices and laptop computers to loan out from the technology centers, and improve internet access for students and parents.

9. **Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments.** Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund are included above in Strategy A.1.3, Housing Trust Fund - Single Family, estimated to be $900,000 each year.

10. **Housing Trust Fund Deposits to the Texas Treasury Safekeeping Trust Company.**

a. Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund - Single Family, $2,503,295 in fiscal year 2008 and $2,503,296 in fiscal year 2009 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, at the beginning of each fiscal year. The amounts to be transferred in fiscal years 2008 and 2009 include an estimated $900,000 in each fiscal year from interest earnings and loan repayments received, identified above in Rider 9, Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments.

b. Out of funds appropriated above in Strategy A.1.7, Housing Trust Fund - Multifamily, $187,000 in fiscal year 2008 and $187,000 in fiscal year 2009 shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, at the beginning of each fiscal year.

c. Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from the General Revenue Fund shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, for the same purpose.

d. The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year.

e. Notwithstanding limitations on appropriation transfers contained in the General Provisions of this Act, the Department of Housing and Community Affairs is hereby authorized to direct agency resources and transfer such amounts appropriated above, not to exceed $2,500,000 in General Revenue each fiscal year, between Strategy A.1.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily.

f. Out of funds appropriated above in Strategy A.1.3, Housing Trust Fund - Single Family and Strategy A.1.7, Housing Trust Fund - Multifamily, an amount not to exceed $2,500,000 in both strategies in fiscal year 2008 and an amount not to exceed $2,500,000 in fiscal year 2009 in both strategies above amounts required in Sections (a) and (b) of this rider, shall be deposited in the Housing Trust Fund in the Texas Treasury Safekeeping Trust Company established under Government Code, Chapter 2306, no later than October 1 of each fiscal year.

11. **Mortgage Revenue Bond Program.** The Department of Housing and Community Affairs shall operate the First-Time Homebuyer Mortgage Revenue Bond Program in a manner that maximizes the creation of very low-income single family housing by ensuring that at least 30 percent of the lendable bond proceeds are set aside for a period of one year for individuals and families at 60 percent and below the area median family income (AMFI), while assuring the highest reasonable bond rating. In an effort to facilitate the origination of single family mortgage loans to individuals and families at 60 percent and below the AMFI, the department shall utilize down payment and closing cost assistance or other assistance methods.

12. **Additional Appropriated Receipts.**

a. Except during an emergency as defined by the Governor, no appropriation of appropriated receipts in addition to the estimated amounts above may be expended by the Department of Housing and Community Affairs unless:

(1) the department's governing board files a finding of fact along with a written plan outlining the source, use, and projected impact of the funds on performance measures with the Legislative Budget Board and the Governor and indicating that additional appropriations are required to maintain adequate levels of program performance; and,

(2) neither the Legislative Budget Board nor the Governor issue a written disapproval not later than 10 business days within receipt of the finding of fact and the written plan.

b. This provision does not apply to appropriated receipts included in the amounts appropriated above that are collected under Object Codes 3719 and 3802. Appropriated receipts collected under these revenue object codes are governed under provisions found in Article IX, Sec 8.03 and Article IX Sec 12.02.

13. **Manufactured Homeowner Consumer Claims.** Included above in Goal E, Manufactured Housing, the Manufactured Housing Division of the Department of Housing and Community Affairs is appropriated an amount required for the purpose of paying manufactured housing consumer claims from Appropriated Receipts according to the Occupations Code Chapter 1201, Manufactured Housing Standards Act, from Statement of Ownership and Location (SOL) issuance fees involving manufactured housing that are collected during the 2008-09 biennium. No General Revenue is appropriated for the payment of these claims.

14. **CDBG Disaster Reporting Requirement.** The Department of Housing and Community Affairs shall provide a quarterly report to the Governor, the Legislative Budget Board, the House Appropriations Committee, the Senate Finance Committee and to those members of the Legislature representing counties eligible for Community Development Block Grant (CDBG) Disaster funding, detailing the receipt and expenditures of CDBG disaster funds received by the Department.

15. **Affordable Housing Research and Information Program.** Out of funds appropriated above in Strategy B.1.1, Housing Resource Center, the Department of Housing and Community Affairs shall conduct the Affordable Housing Research and Information Program with the assistance of the Office of Rural Community Affairs, to the extent allowed by state law, in order to avoid a duplication of effort. It is the intent of the Legislature that no funds shall be transferred between the Department of Housing and Community Affairs and the Office of Rural Community Affairs for this purpose.

Legislative Budget Board
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1100 San Jacinto, 4th Floor
Austin, TX 78701
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MEMORANDUM

May 5, 2008

TO: State Agency Board/Commission Chairs
State Agency Heads/Executive Directors
Appellate Court Justices and Judges
Chancellors and Presidents of Institutions of Higher Education
Presidents and Directors of Health-related Institutions

Detailed instructions for the submission of legislative appropriations requests for the 2010–11 biennium have been posted on the Legislative Budget Board and Governor's Office websites. A schedule of due dates is included as an appendix to the instructions.

As a starting point for budget deliberations, an agency's baseline request for general revenue-related (GR and GR-Dedicated) funds may not exceed the sum of amounts expended in fiscal year 2008 and budgeted in fiscal year 2009 plus an amount equal to the GR-related allocation for the two percent / $50 employee pay raise in 2009. Agencies must also submit a supplemental schedule detailing how they would reduce the baseline request by 10 percent, or down to 90 percent, in general revenue-related funding.

Exceptions to the baseline request limitation include amounts necessary to maintain funding for the Foundation School Program, satisfy debt service requirements for existing bond authorizations, maintain caseloads for federal entitlement services, satisfy employer contribution requirements for state pension systems, and maintain adult prison populations. Funding requests for other purposes which exceed the baseline spending level may not be included in the baseline request but may be submitted as exceptional items.

We appreciate the opportunity to work with you and your staff during this new budget cycle.

Sincerely,

John O'Brien, Director
Legislative Budget Board

Mike Morrissey, Director
Governor's Office of Budget, Planning and Policy

JOB/MM:fis

Estimated Baseline Budget (Draft LAR)
New Strategic Stucture 2009, 2010, 2011

Strategy Number	Strategy Description	Expended 2007	Estimated 2008	Budget 2009	Requested 2010	Requested 2011
A.	Affordable Housing:					
A.1.1.	MRB Program - Single Family	1,031,567	1,094,393	1,152,574	1,152,574	1,152,574
A.1.2.	HOME Program - Single Family	33,324,046	33,435,754	33,047,101	33,047,101	33,047,101
A.1.3.	HTF - Single Family	3,080,692	5,385,306	5,394,409	5,394,409	5,394,409
A.1.4.	Section 8 Rental Assistance	6,190,745	6,508,826	6,291,574	6,291,574	6,291,574
A.1.5.	Federal Tax Credits	1,095,467	1,088,097	1,122,644	1,122,644	1,122,644
A.1.6.	HOME Program - Multifamily	5,880,640	5,900,427	5,891,353	5,891,353	5,891,353
A.1.7.	HTF - Multifamily	206,608	300,783	453,052	453,052	453,052
A.1.8.	MRB Program - Multifamily	197,601	165,577	303,290	303,290	303,290
	Total, Affordable Housing	51,007,366	53,879,163	53,655,997	53,655,997	53,655,997
B.	Information and Assistance:					
B.1.1.	Provide Info/Technical Assistance	446,170	511,997	691,133	691,133	691,133
B.2.1.	Colonia Service Centers	523,450	524,006	445,168	445,168	445,168
	Total, Information and Assistance	969,620	1,036,003	1,136,300	1,136,300	1,136,300
C.	Poor and Homeless Programs:					
C.1.1.	Poverty Related Funds	35,016,896	36,314,826	35,992,221	35,992,221	35,992,221
C.2.1.	Energy Assistance Programs	52,553,536	50,303,293	49,204,129	49,204,129	49,204,129
	Total, Poor and Homeless Programs	87,570,432	86,618,119	85,196,351	85,196,351	85,196,351
D.	Ensure Compliance:					
D.1.1.	Monitor and Inspect	1,845,108	1,746,507	1,849,452	1,849,452	1,849,452
D.1.2.	Monitor Contracts*	1,514,606	441,418,535	2,060,167	2,060,167	2,060,167
	Total, Ensure Compliance	3,359,714	443,165,042	3,909,619	3,909,619	3,909,619
F	Indirect Admin/Support Costs:					
F.1.1.	Central Administration	3,846,753	4,041,208	4,602,454	4,602,454	4,602,454
F.1.2.	Information Resources	1,164,947	1,255,985	1,403,478	1,403,478	1,403,478
F.1.3.	Operating/Support	475,959	452,316	503,230	503,230	503,230
	Total, Indirect Admin/Support Costs:	5,487,659	5,749,509	6,509,163	6,509,163	6,509,163
	Capital Outlay	657,326	159,375	157,434	289,320	263,293
	Total, Department	149,052,117	590,607,211	150,564,864	150,696,750	150,670,723
Code	Method of Finance:					
001	General Revenue	3,779,073	7,068,948	7,268,309	7,268,309	7,268,309
888	Earned Federal Funds	782,392				
127	Federal Funds	133,182,555	572,963,278	131,536,068	131,556,026	131,586,054
666/896	Appropriated Receipts	9,033,745	9,126,138	10,304,681	10,416,609	10,360,554
666/001	Appropriated Receipts	2,191,352	1,380,592	1,393,278	1,393,278	1,393,278
777	Interagency Contracts	83,000	68,255	62,528	62,528	62,528
	Total MOF	149,052,117	590,607,211	150,564,864	150,696,750	150,670,723
CFDA#	Federal Funds:					
14.239	HOME	40,588,984	40,491,639	40,004,036	40,006,755	40,042,516
96.568	LIHEAP	46,600,737	43,885,124	43,227,784	43,235,371	43,235,834
81.042	DOE	4,259,153	5,453,268	5,017,029	5,017,029	5,017,029
93.569	CSBG	30,106,069	31,067,641	30,817,740	30,816,947	30,812,354
14.231	ESGP	5,052,135	5,149,366	5,085,534	5,085,534	5,085,534
14.871	Section 8	6,211,026	6,515,705	6,295,299	6,293,744	6,294,141
14.228	CDBG 1 (Admin Funds Only)	357,157	517,638			
14.228	CDBG 2 (Admin and Program Funds)	0	424,442,901	985,979	997,979	995,979
97.087	FEMA	7,294	15,439,996	102,667	102,667	102,667
	Total, Federal Grants	133,182,555	572,963,278	131,536,068	131,556,026	131,586,054

Source: Texas Department of Housing and Community Affairs

Texas Department of Housing and Community Affairs
General Revenue
Estimated 10% Reduction
Requested Years 2010 and 2011

Strategy/Program	Appropriated 2008	Appropriated 2009	Total Biennium	Biennium Reduction	Estimated General Revenue Approp 2010/2011
A. Goal: Affordable Housing:					
A.1.1. MRB Program - Single Family					
A.1.2. HOME Program - Single Family					
A.1.3. Housing Trust Fund - Single Family	5,393,036	5,394,409	10,787,445	(716,501)	10,070,944
A.1.4. Section 8 Rental Assistance					
A.1.5. Federal Tax Credits					
A.1.6. HOME Program - Multifamily					
A.1.7. Housing Trust Fund - Multifamily	451,361	453,052	904,413	(169,062)	735,351
A.1.8. MRB Program - Multifamily					
Total, A. Goal: Affordable Housing	5,844,397	5,847,461	11,691,858	(885,563)	10,806,295
B. Goal: Information and Technical Assistance					
B.1.1. Center for Housing Research and Planning	120,000	120,000	240,000	(100,000)	140,000
B.1.2. Colonia Service Centers	140,338	145,422	285,760		285,760
Total, B. Goal: Colonia Initiatives	260,338	265,422	525,760	(100,000)	425,760
C. Goal: Poor and Homeless Programs:					
C.1.1. Poverty Related Funds	109,000	109,000	218,000	(218,000)	-
C.2.1. Energy Assistance Programs					
Total, C. Goal: Poor and Homeless Programs	109,000	109,000	218,000	(218,000)	-
D. Goal: Ensure Compliance:					
D.1.1. Monitor Housing Requirements					
D.1.2. Monitor Contract Requirements					
Total, D. Goal: Ensure Compliance	-	-	-	-	
F. Goal: Indirect Admin and Support Costs:					
F.1.1. Central Administration	787,788	780,320	1,568,108	(188,011)	1,380,097
F.1.2. Information Resource Technologies	144,784	168,708	313,492	(37,349)	276,143
F.1.3. Operating/Support	53,860	72,341	126,201	(15,420)	110,781
Total, F. Goal: Indirect Admin and Support Costs	986,432	1,021,369	2,007,801	(240,780)	1,767,021
Total, General Revenue Estimated Reduction	7,200,167	7,243,252	14,443,419	(1,444,343)	12,999,076

Note: Does not include Manufactured Housing GR of $19,120 in both years of the biennium.

Summary of Proposed Ten Percent Reduction
(Items are in reverse order of impact to TDHCA Goals and Programs)

I #	Strategy	Amount Over Biennium	% of GR	Impact
1	C.1.1. Poverty Related Funds	$218,000	1.5%	This represents funding utilized to provide technical assistance to rural communities to assist them in their efforts to access HUD Balance of State Continuum of Care funding. The primary groundwork for this effort will be funded through 2008-2009 appropriations. Background research assembled during 2008-2009 will likely continue to be of assistance in efforts undertaken during the 2010-2010 biennium, mitigating the impact of discontinued funding.
2	Goal F: Central Administration	$240,780	1.7%	This would reduce General Revenue available for TDHCA central administration. To achieve this, TDHCA would substantially reduce funding for professional development, training, and tuition reimbursement utilized to help TDHCA staff maintain best practices and professional expertise and would also decrease use of professional services.
4	B.1.1. Center for Housing Research and Planning	$100,000	0.7%	This would reduce the number of market studies and research and public education efforts funded through the Affordable Housing Research and Information Program while still allowing the Department to undertake this activity. This funding level is equivalent to roughly one to two fewer regional market studies per year, depending on the scope of the study.
5	A.1.1.7: Housing Trust Fund Multifamily	$169,062	1.1%	This would reduce funds available for Housing Trust Fund Multifamily activity, resulting in three to seven few rental units constructed or rehabilitated and reduced administrative and technical assistance support for the program.
6	A.1.13: Housing Trust Fund Single Family	$716,501	5%	This would reduce funds available for Housing Trust Fund (HTF) Single Family activity resulting in eight to fifty-five fewer households served, depending on the activity to be reduced, and reduced administrative and technical support for HTF-supported activities. HTF Single Family Activity includes tenant-based rental assistance, homebuyer assistance, and home repair or reconstruction. The proposed funding reduction translates into roughly eight fewer home reconstructions, eighteen fewer home repairs, fifty-five fewer down payment grants, or fifty-five fewer rental vouchers. TDHCA would determine activities to be reduced through a public comment process. TDHCA would also have to reduce the amount of staff time available for Housing Trust Fund administration and related technical assistance. Because Housing Trust Fund applicants are often nonprofits with limited capacity, this could reduce the effectiveness of the program. No reduction would be made to funds related to the statutorily-required Texas Bootstrap Loan Program.
		$1,444,343	10%	

Proposed TDHCA Exceptional Item Requests for 81st Legislature

Priority	Description
1	**Restoration of 10% in General Revenue (GR). ($1.4M over the Biennium)** *See attached 10% Reduction Proposal.*
2	**$20 million in additional GR per year for the Housing Trust Fund** Last session, TDHCA received an additional $5 million for the Housing Trust Fund (HTF), doubling the program. The additional funding made available in 2008 allowed TDHCA to provide gap-financing for low income households whose homes were damaged by Hurricane Rita, special housing assistance for our returning Iraq and Afghan veterans, homeownership assistance, and rural rental development assistance. TDHCA proposes requesting an additional $20 million per year for this flexible program for the 2010-2011 biennium. This additional funding may be used to expand the Texas Bootstrap Loan Program, strengthen the Department's partnership with the Texas Home of Your Own Coalition (HOYO), support gap-financing for multifamily rural housing and supportive housing, fund nonprofit capacity building, and support other activities difficult to undertake with existing federal funds. Administration: • TDHCA would request 4 FTEs to ensure effective administration of these funds.

3	**$7.5M per year in GR-dedicated System Benefit Fund (SBF) funds for Weatherization Assistance in deregulated areas of the state**
	• Would allow TDHCA to serve an additional 1,875 households per year, provide more expeditious service, and serve lower income households.
	    o Through TDHCA's Weatherization Assistance Program, a house can receive assistance only if the cost of the measures applied is at least equal to the anticipated costs savings. This means than homes in poorer condition, typically occupied by extremely low income households cannot be saved due to the limits of the federal funds available. Use of SBF would allow TDHCA to reach these homes.
	    o In some areas, eligible applicants must wait for over a year for service.
	Current rates make the need for energy efficiency measure more pressing both for the individual households and for the state.

Proposed Requests for Changes to TDHCA Appropriations Riders for 81st Legislature

Rider #	Summary of Proposed Changes
10	**HTF Rider:** Amend rider to allow General Revenue appropriated for administrative purposes to be transferred to Safekeeping Trust and utilized for affordable housing activities if the administrative funds are not being fully utilized.
11	**Mortgage Revenue Bond Program** Amend rider to conform to statute.
New	**HOME Rider:** Add rider that will allow funding transferability between the two HOME Strategies, similar to transferability allowed under Rider 10 related to the Housing Trust Fund.

Financial Administration Division
Board Action Request
June 26, 2008

Action Item

The Department staff will present the FY 2009 Draft Operating Budget for the Board's consideration and approval.

Required Action

The Board approve the attached FY 2009 Draft Operating Budget for the fiscal year beginning September 1, 2008 through August 31, 2009.

Background

In accordance with Texas Government Code, Chapter 2306, TDHCA is charged with preparing an operating budget for Board adoption on or before September 1 of each fiscal year. The budget includes operational expenses distributed among the Department's divisions. It does not include pass-through grant funds.

The 2009 Draft Internal Operating Budget, which the Board is considering for approval corresponds to the second year of the appropriations bill passed by the 80th Session of the Legislature. This budget is within the appropriation limits and methods of finance as approved in the bill.

For information specific to particular line items of the budget and their associated funding streams, please refer to the accompanying Comparison Report.

TEXAS DEPT. OF HOUSING AND COMMUNITY AFFAIRS

FY 2009 Draft Operating Budget
Comparison Report

June 26, 2008

The Comparison Report provides for the explanation detail concerning the major cost categories and the associated methods of finance.

In total, this 2009 draft operating budget is $23,284,196 or a $648,744 (2.9%) increase over the prior year budget.

Below are the highlights of the 2009 draft budget. Please refer to the "Comparison by Expense Object" schedule on Page 4.

1. **Salaries/Wages and Payroll Related Costs**. These two line items represent 80% of the total operating budget. These line items have increased 5.6% as a result of the addition of five Full Time Equivalents (FTE's). In Fiscal Year 2009, the Department will discontinue its arrangement with the Federal Deposit Insurance Corporation (FDIC). The FDIC contracted with TDHCA to monitor Real Estate Owned (REO) properties for Land Use Restriction Agreement requirements. The discontinuance will allow the agency to free up five FTE's held in reserve due to contract workforce requirements. (Contract workers who work for more than 130 workdays in a year count toward the agency FTE cap.) The FTE's will be redirected to the Portfolio Management and Compliance (PMC) and Information Services (IS) Divisions. Four of the FTE's will be placed in the PMC Division to perform HOME Uniform Physical Condition Standards inspections; final construction inspections; and Texas Minimum Construction Standards inspections. The fifth FTE will be placed in the Network and Technical Support Section of IS. The increase in Salaries/Wages is partially offset by a decrease in the Professional Fees category. Other factors related to the increase include a 2% cost of living increase (passed by the 80^{th} Legislature) and annualized salary actions (i.e., merits, reclasses, promotions) in FY 2009.

2. **Travel In-State and Out-of-State**. The Department's In-State travel budget increased 12% primarily due to travel associated with PMC's new inspection group ($60,000) and Disaster Recovery ($5,000). The Out-of-State travel cap imposed by the Legislature remains at $125,392.

3. **Professional Fees**. Professional Services have been reduced by $577,495. A decrease of $485,745 is related to a reduction in FDIC portfolio compliance work mentioned above; and a reduction of $54,750 relates to training and technical writing/assistance services. Please refer to the professional fees table on the next page for more details.

Professional Fees Chart

Division	Type of Service	2009 Budgeted	2008 Budgeted
FA,PMC,SF	Statewide Cost Allocation	35,000	35,000
Various	Audit Costs - Financial and Single Audit	446,000	446,000
Legal	Legal Costs	150,000	150,000
PMC	Inspection Outsourcing (MDSI/On-Sight Inspections)	120,000	605,745
HOME	HOME Remediation	-	75,000
PMC/HOME	Training/Tech Writing/Tech Assistance	37,800	62,550
PPA	Statewide Homebuyer Education Program	90,000	72,000
EA	HVAC/Mobile Home Insulation Training	45,000	45,000
HRC/DPPA	Market Studies	120,000	120,000
FA	PeopleSoft Consulting Services	-	-
CA	Community Serv./Energy Assist. Contract System	-	-
Various	Training	60,300	90,300
Special Projects	Miscellaneous	35,900	15,900
PPA	Foreclosure Studies	-	-
Community Affairs: Section 8	HAPPY Software	-	-
	Total	**$1,140,000**	**$1,717,495**

4. **Repairs and Maintenance**. The budget continues to include funding for maintenance of agency software such as MITAS, PeopleSoft, CRN, HAPPY and APPX systems. The 22% variance is due to increases of $50K for future PeopleSoft releases/bundles; $34,500 for a Halogen eAppraisal web-based software. This software will offer features for developing and customizing an Employee Performance Management System. In addition, there is also funding of $65,000 for a dedicated programmer. The programmer will work with PMC to edit the Annual Owners' Compliance Report, IRS 8609 Automated Spreadsheet data import maintenance, and Unit Status Report data submission modifications. The programming project will increase efficiencies for PMC and subrecipients and maintain the Contract Management Tracking System (CMTS). Increases of $22K are included for ongoing CRN and HAPPY maintenance. The final item is the reduction of approximately $65K in maintenance due to the completion of Disaster Recovery Division (DRD) modifications to the Contract Management System.

5. **Rentals and Leases**. The 2009 rentals are for copiers, conference space rentals, and outside office space associated with the Office of Colonia Initiatives (OCI) and the Office of State and Federal Relations (OSFR).

6. **Membership Fees.** Key associations are the National Council of State Housing Agencies (NCSHA), the National Associations of Home Builders (NAHB), the National Association for State Community Services Programs (NASCP) and and the Council of State Community Development Agencies (COSCDA).

7. **Staff Development.** This category has been adjusted to meet ongoing needs.

8. **Advertising**. This category is for publications and employment announcements. There is a net decrease of $9,500 due to adjustments in the Human Resources and PMC budgets related to a small reduction in position recruitment costs.

9. **Temporary Help.** The 18% variance is attributed to an increase of $42K in the PMC Division. In 2009, PMC will proactively pursue a project to consolidate physical files into scanned automated media. The project will upgrade storage technology and eliminate file cabinets. Other funding includes security services and building/office reconfigurations.

10. **Furniture and Equipment.** This line item decreased 23% due to a reduction in normal growth activity (PC and printer purchases).

12. **Communication and Utilities**. Increase of 9.3% due to the expansion of Blackberry technology. This technology increases timely communications. It also facilitates pilot projects that allow for program monitor/inspector telecommuting.

13. **Capital Outlay**. The Capital Budget (approved by the Legislature) included a $43K increase for servers and network enhancements.

Texas Department of Housing and Community Affairs
Comparison by Expense Object
Appropriation Years 2008 and 2009

	FY08 Budget (a)	FY09 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	$ 14,320,550	$ 15,116,679	$ 796,128	5.6%
Payroll Related Costs	3,293,726	3,476,836	183,110	5.6%
Travel In-State	568,837	636,837	68,000	12.0%
Travel Out-of-State	125,392	125,392	-	0.0%
Professional Fees	1,717,495	1,140,000	(577,495)	-33.6%
Material and Supplies	407,736	407,736	0	0.0%
Repairs/Maintenance	483,353	589,542	106,189	22.0%
Printing and Reproduction	91,676	89,797	(1,879)	-2.0%
Rentals and Leases	158,000	191,257	33,257	21.0%
Membership Fees	82,431	86,325	3,894	4.7%
Staff Development	344,044	312,770	(31,274)	-9.1%
Insurance/Employee Bonds	92,000	92,000	-	0.0%
Employee Tuition	17,300	18,000	700	4.0%
Advertising	102,500	93,000	(9,500)	-9.3%
Freight/Delivery	33,050	33,403	353	1.1%
Temporary Help	285,355	336,789	51,434	18.0%
Furniture and Equipment	184,359	141,675	(42,684)	-23.2%
Communication and Utilities	268,740	293,792	25,052	9.3%
Capital Outlay	19,066	62,944	43,878	230.1%
State Office of Risk Management	39,841	39,423	(419)	-1.1%
Total Department	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%
FTE's	241.00	246.00	5.00	
Method of Finance:				
General Revenue	$ 1,377,821	$ 1,398,883	21,062	1.5%
Earned Federal Funds	881,370	1,129,301	247,931	28.1%
Federal Funds	6,703,972	7,111,311	407,338	6.1%
CDBG Disaster Recovery	1,350,272	1,293,319	(56,953)	-4.2%
Appropriated Receipts - Housing Finance	11,755,004	11,757,784	2,780	0.0%
Interagency Contracts	78,236	81,472	3,236	4.1%
Appropriated Receipts - Manufact. Housing	488,777	512,127	23,350	4.8%
Total, Method of Finance	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%

Note: Appropriated Receipts - Housing Finance include Bond Administration Fees, Housing Tax Credit Fees and Compliance Fees.

Methods of Finance

The 2009 Budget will be financed from the following sources:
(Please refer to the "Method of Finance" chart on Page 2)

General Revenue - State appropriated funds including additional funds for affordable housing market studies.

Earned Federal Funds - Federal funds appropriated for indirect costs associated with administering federal funds.

Federal Funds - Federally appropriated funds:
CDBG Disaster Recovery - Federally appropriated funds specifically designated for disaster recovery.

Appropriated Receipts - Housing Finance (HF):
Bond Admin Fees - Appropriated receipts associated with our Single Family and Multifamily bond programs such as application fees, issuance fees, and administration fees

Low Income Housing Tax Credit Fees - Appropriated receipts associated with our housing tax credit program such as application fees and commitment fees.

Compliance Fees - Fees assessed to multifamily developers for the purpose of ensuring long-term compliance.

Interagency Contracts - Contract with ORCA (Office of Rural Community Affairs) for the Office of Colonia Initiatives (OCI) Self-Help Center's operation and administration.

Appropriated Receipts - Manufactured Housing Division's Statement of Ownership and Location (SOL) fees.

Method of Finance:	FY 08	FY 09	Variance	% Change
General Revenue	$ 1,257,821	$ 1,278,883	$ 21,062	1.7%
Bond Review Board Fees	120,000	120,000	-	0.0%
Earned Federal Funds	881,370	1,129,301	247,931	28.1%
Federal Funds	6,703,972	7,111,311	407,339	6.1%
CDBG Disaster Recovery	1,350,272	1,293,319	(56,953)	-4.2%
Appropriated Receipts - Housing Finance	11,755,004	11,757,784	2,780	0.0%
Interagency Contracts (ORCA)	78,236	81,471	3,235	4.1%
Appropriated Receipts - MH	488,777	512,127	23,350	4.8%
Total, Method of Finance	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FY-2009 DRAFT OPERATING BUDGET

(September 1, 2008 through August 31, 2009)

June 26, 2008

Prepared by the Financial Administration Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2009 OPERATING BUDGET

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2009 OPERATING BUDGET

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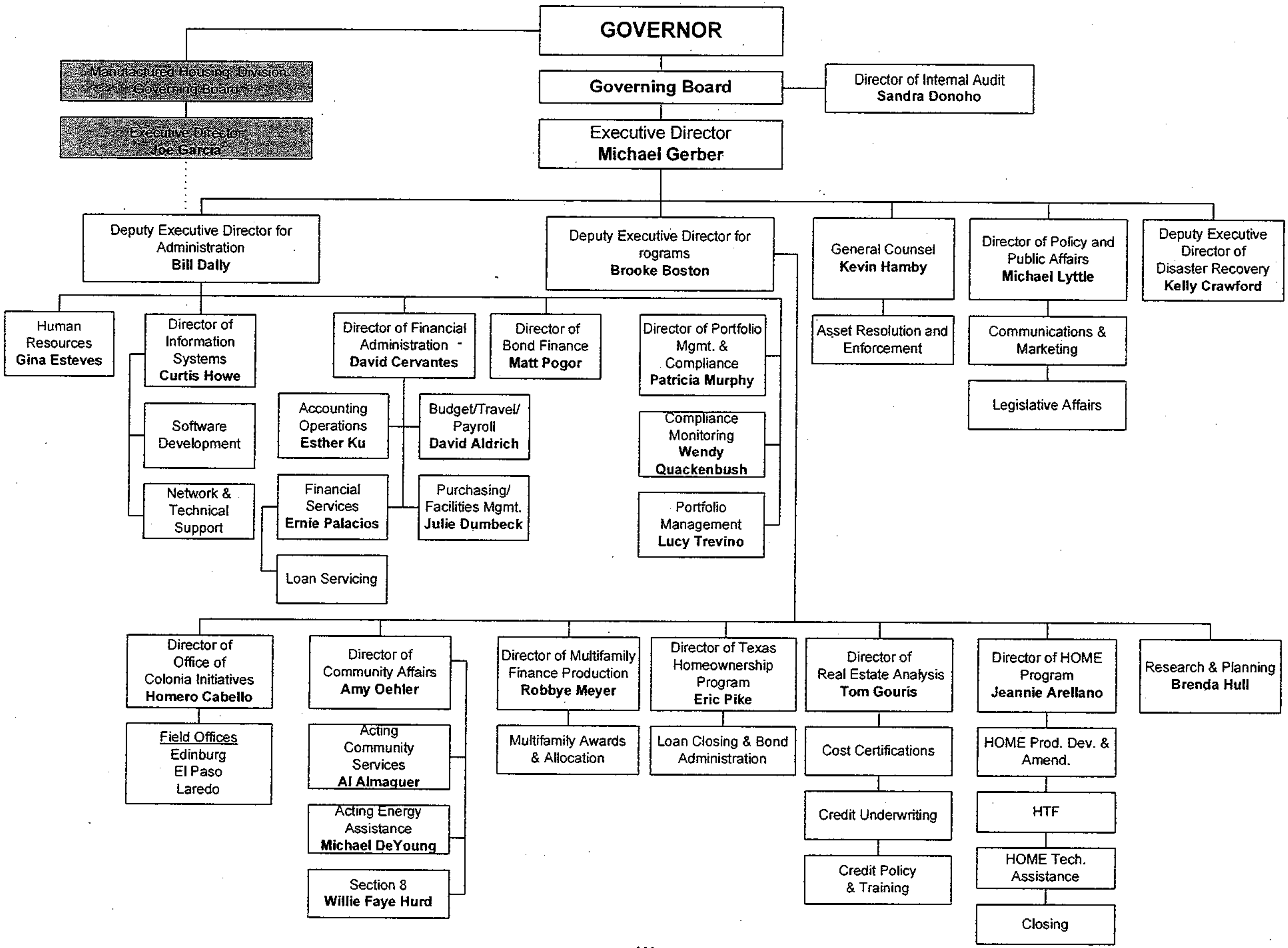


Texas Department of Housing and Community Affairs
Comparision by Division
Appropriation Years 2008 and 2009

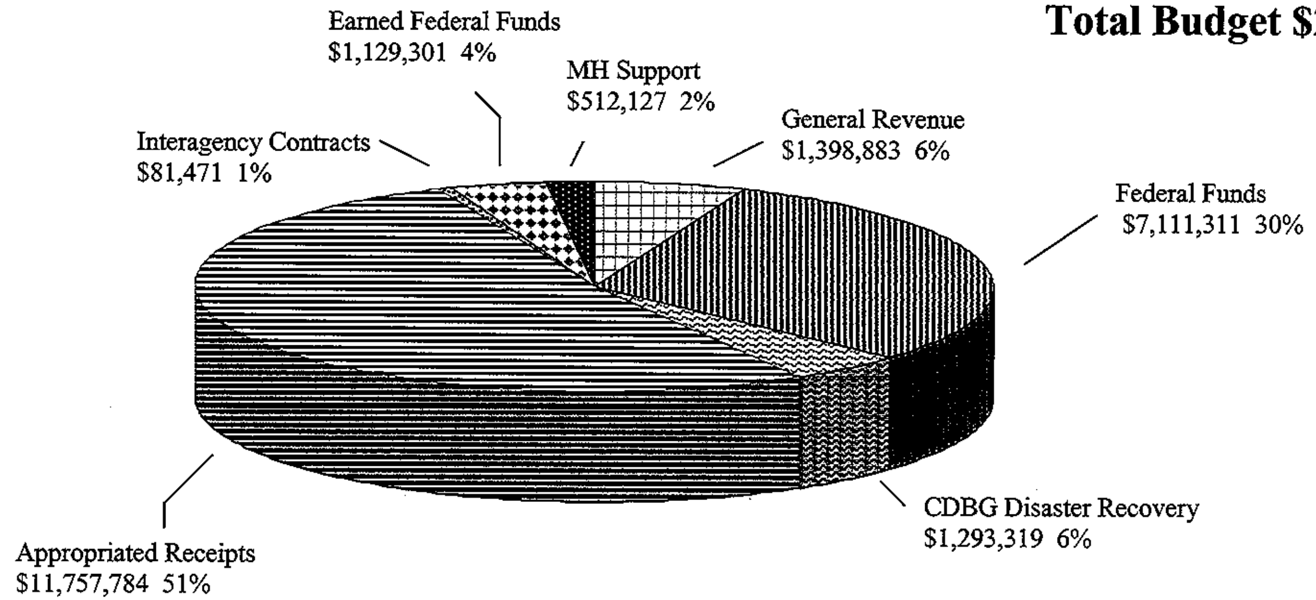
	FY08 Budget (a)	FY09 Budget (b)	Variance (b-a)	Percentage Change	FY08 FTEs	FY09 FTEs	FTE Variance
Housing Programs Division:							
Office of Colonia Initiatives	$ 571,954	$ 581,641	$ 9,687	1.7%	7.0	7.0	0.0
Community Affairs Administration	241,729	190,732	(50,997)	-21.1%	3.0	2.0	(1.0)
Community Services Programs	1,061,081	1,034,412	(26,669)	-2.5%	15.0	14.0	(1.0)
Energy Assistance	1,150,003	1,195,394	45,391	3.9%	16.0	16.0	0.0
Section 8	418,620	430,775	12,155	2.9%	7.0	7.0	0.0
Multifamily Finance Production	860,033	886,278	26,245	3.1%	12.0	12.0	0.0
Texas Homeownership Program	539,314	583,786	44,471	8.2%	5.0	5.0	0.0
HOME Program	2,042,506	2,094,915	52,410	2.6%	27.0	28.0	1.0
Real Estate Analysis	746,679	720,904	(25,776)	-3.5%	10.0	10.0	0.0
Research and Planning	274,666	400,779	126,113	45.9%	4.0	5.0	1.0
Subtotal, Housing Programs Division	7,906,586	8,119,614	213,029	3.3%	106.0	106.0	0.0
Disaster Recovery Division	1,125,295	1,086,215	(39,080)	-3.5%	12.0	12.0	0.0
Executive Administration:							
Executive Office	566,207	586,042	19,835	3.5%	5.0	5.0	0.0
Board	76,308	80,308	4,000	5.2%			
Legal Services	866,075	895,527	29,452	3.4%	8.0	8.0	0.0
Internal Audit	286,835	317,929	31,094	10.8%	4.0	4.0	0.0
Policy and Public Affairs	559,379	598,531	39,152	7.0%	6.0	6.0	0.0
Subtotal, Executive Administration	2,354,805	2,478,338	123,533	4.9%	23.0	23.0	0.0
Agency Administration:							
Director's Office of Financial Administration	497,199	565,247	68,047	13.7%	6.0	7.0	1.0
Accounting Operations	845,206	785,846	(59,359)	-7.0%	12.0	11.0	(1.0)
Financial Services	1,126,026	1,154,522	28,496	2.5%	15.0	15.0	0.0
Purchasing and Facilities Management	476,313	504,720	28,407	6.0%	8.0	8.0	0.0
Human Resources	323,622	362,690	39,067	12.1%	4.0	4.0	0.0
Information Systems	1,318,122	1,418,653	100,531	7.6%	18.0	19.0	1.0
Bond Finance	387,095	397,939	10,845	2.8%	4.0	4.0	0.0
Portfolio Management and Compliance	2,822,084	2,776,143	(45,941)	-1.6%	33.0	37.0	4.0
Subtotal, Agency Administration	7,795,666	7,965,760	170,093	2.2%	100.0	105.0	5.0
Capital Budget (Note: $207,566 in MH 2009 budget)	159,375	157,434	(1,941)	-1.2%			
Payroll Related Costs	3,293,726	3,476,836	183,110	5.6%			
Total, Department	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%	241.0	246.0	5.0

	FY08 Budget (a)	FY09 Budget (b)	Variance (b-a)	Percentage Change
Method of Finance:				
General Revenue	$ 1,377,821	$ 1,398,883	$ 21,062	1.5%
Earned Federal Funds	881,370	1,129,301	247,931	28.1%
Federal Funds	6,703,972	7,111,311	407,338	6.1%
CDBG Disaster Recovery	1,350,272	1,293,319	(56,953)	-4.2%
Appropriated Receipts - Housing Finance	11,755,004	11,757,784	2,780	0.0%
Interagency Contracts	78,236	81,472	3,236	4.1%
Appropriated Receipts - Manufact. Housing	488,777	512,127	23,350	4.8%
Total, Method of Finance	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%

Note: Appropriated Receipts - Housing Finance include Bond Administration Fees, Housing Tax Credit Fees and Compliance Fees.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY 2009 Method of Finance

Total Budget $23,284,196



Type	2008	2009
General Revenue	1,377,821	1,398,883
Federal Funds	6,703,972	7,111,311
CDBG Disaster Recovery	1,350,272	1,293,319
Appropriated Receipts -HF	11,755,004	11,757,784
Interagency Contracts	78,236	81,471
Earned Federal Funds	881,370	1,129,301
MH Support (MOU)	488,777	512,127
Total MOF	**$22,635,452**	**$23,284,196**

Texas Department of Housing and Community Affairs
Comparison by Expense Object
Appropriation Years 2008 and 2009

	FY08 Budget (a)	FY09 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	$ 14,320,550	$ 15,116,679	$ 796,128	5.6%
Payroll Related Costs	3,293,726	3,476,836	183,110	5.6%
Travel In-State	568,837	636,837	68,000	12.0%
Travel Out-of-State	125,392	125,392	-	0.0%
Professional Fees	1,717,495	1,140,000	(577,495)	-33.6%
Material and Supplies	407,736	407,736	0	0.0%
Repairs/Maintenance	483,353	589,542	106,189	22.0%
Printing and Reproduction	91,676	89,797	(1,879)	-2.0%
Rentals and Leases	158,000	191,257	33,257	21.0%
Membership Fees	82,431	86,325	3,894	4.7%
Staff Development	344,044	312,770	(31,274)	-9.1%
Insurance/Employee Bonds	92,000	92,000	-	0.0%
Employee Tuition	17,300	18,000	700	4.0%
Advertising	102,500	93,000	(9,500)	-9.3%
Freight/Delivery	33,050	33,403	353	1.1%
Temporary Help	285,355	336,789	51,434	18.0%
Furniture and Equipment	184,359	141,675	(42,684)	-23.2%
Communication and Utilities	268,740	293,792	25,052	9.3%
Capital Outlay	19,066	62,944	43,878	230.1%
State Office of Risk Management	39,841	39,423	(419)	-1.1%
Total Department	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%
FTE's	241.00	246.00	5.00	
Method of Finance:				
General Revenue	$ 1,377,821	$ 1,398,883	21,062	1.5%
Earned Federal Funds	881,370	1,129,301	247,931	28.1%
Federal Funds	6,703,972	7,111,311	407,338	6.1%
CDBG Disaster Recovery	1,350,272	1,293,319	(56,953)	-4.2%
Appropriated Receipts - Housing Finance	11,755,004	11,757,784	2,780	0.0%
Interagency Contracts	78,236	81,472	3,236	4.1%
Appropriated Receipts - Manufact. Housing	488,777	512,127	23,350	4.8%
Total, Method of Finance	$ 22,635,452	$ 23,284,196	$ 648,744	2.9%

Note: Appropriated Receipts - Housing Finance include Bond Administration Fees, Housing Tax Credit Fees

Texas Department of Housing and Community Affairs
FTEs by Division
Internal Operating Budget
Appropriation Year 2009

	Budget
Executive Administration:	
Executive Office	5.00
Legal Services	8.00
Internal Audit	4.00
Policy and Public Affairs	6.00
Total, Executive Administration	**23.00**
Agency Administration:	
Human Resources	4.00
Information Services	19.00
Director's Office of Financial Administration	7.00
Accounting Operations	11.00
Financial Services	15.00
Purchasing and Facilities Management	8.00
Portfolio Management and Compliance	37.00
Bond Finance	4.00
Total, Agency Administration	**105.00**
Disaster Recovery Division	**12.00**
Housing Programs Division:	
HOME Program	28.00
Office of Colonia Initiatives	7.00
Division Administration-Community Affairs	2.00
Community Services	14.00
Energy Assistance	16.00
Section 8	7.00
Multi Family Finance Production	12.00
Texas Homeownership Program	5.00
Real Estate Analysis	10.00
Reasearch and Planing	5.00
Total, Housing Programs Division	**106.00**
Subtotal, Housing and Community Affairs	**246.00**
Manufactured Housing	**64.00**
Total, Department FTEs	**310.00**

Note: HB 1, 80th Legislature, Article IX, Section 6.10 (f) and (g) Allows the Department t(exceed the 298 FTE cap for disaster related emergencies as directed by the Governor.

Texas Department of Housing and Community Affairs
Out of State Travel
Fiscal Year 2009

	Budget
Executive Administration:	
Executive Office	11,078
Board	13,751
Legal Services	4,410
Internal Audit	1,500
Policy and Public Affairs	3,145
Total, Executive Administration	**33,884**
Disaster Recovery Division	**8,000**
Agency Administration:	
Human Resources	2,000
Information Services	2,520
Director's Office - Financial Administration	2,625
Accounting Operations	1,365
Financial Services	2,452
Purchasing	0
Facilities and Space Management	0
Portfolio Management and Compliance	11,000
Bond Finance	7,660
Total, Agency Administration	**29,621**
Housing Programs Division:	
HOME Program	11,341
Office of Colonia Initiatives	3,675
Community Affairs - Administration	6,300
Community Services	3,255
Energy Assistance	3,990
Section 8	2,310
Multi Family Housing Production	9,000
Texas Homeownership Program	6,017
Real Estate Analysis	6,000
Housing Resource Center	2,000
Total, Housing Programs Division	**53,887**
Department Total	**125,392**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	FEDERAL FUNDS	HF APPROP. RECEIPTS
Salaries			
Payroll Related Costs			
Travel In-State			
Travel Out-of-State			
Professional Fees			
Materials/Supplies			
Repairs/Maintenance			
Printing and Reproduction			
Rental/Lease			
Membership Dues			
Staff Development			
Insurance/Employee Bonds			
Employee Tuition			
Advertising			
Freight/Delivery			
Temporary Help			
Furniture/Equipment	94,490	47,603	46,887
Communications/Utilities			
Capital Outlay	62,944	23,779	39,165
State Office of Risk Management			
Total	157,434	71,382	86,052

Notes:
1. Capital Outlay and Furniture/Equip are Normal Growth/Integrate Systems.
2. Does not tie to the Capital Budget Rider due to $32,566 budgeted in Manufactured Housing for Normal Growth Manufactured Housing also has a $175,000 software system upgrade budgeted in capital outlay for 2009.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET by PROJECT
FISCAL YEAR 2009

Project Name	FEDERAL FUNDS	HF APPROP. RECEIPTS	Total
Normal Growth/Integrate Systems			
Furniture/Equipment (PCs, Printers, etc)	47,603	46,887	94,490
Capital Outlay (Servers, Network Enhancements)	23,779	39,165	62,944
Total, Fiscal Year 2009	71,382	86,052	157,434

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
EXECUTIVE ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS	HOME	CHRP GENERAL REVENUE
Salaries	1,814,476	248,321	132,920	56,829	1,326,112	50,294	
Travel In-State	68,575	5,000	5,950		55,075	2,550	
Travel Out-of-State	33,884	1,500	0		32,384		
Professional Fees	210,500	0	0		150,500		60,000
Materials/Supplies	49,244	5,270	4,064		38,169	1,742	
Repairs/Maintenance	38,012	5,951	3,123		27,599	1,339	
Printing and Reproduction	11,579	541	5,838		2,698	2,502	
Rental/Lease	30,908	854	448		29,414	192	
Membership Dues	8,750	2,000	175		6,500	75	
Staff Development	69,405	10,000	2,100		56,405	900	
Insurance/Employee Bonds	7,483	1,301	683		5,206	293	
Employee Tuition	2,700	2,700	0		0		
Advertising	1,200	300	0		900		
Freight/Delivery	7,050	200	175		6,600	75	
Temporary Help	80,096	1,008	3,189		74,532	1,367	
Furniture/Equipment	5,500	300	0		5,200		
Communications/Utilities	37,505	5,943	1,897		28,852	813	
Capital Outlay	0	0					
State Office of Risk Management	1,471	0	1,471				
Total	2,478,338	291,189	162,033	56,829	1,846,146	62,141	60,000

Note:
Executive Administration Includes:
Executive Office
Board
Legal Services
Internal Audit
Policy and Public Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
EXECUTIVE OFFICE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	492,137	11,653	480,484
Travel In-State	20,000		20,000
Travel Out-of-State	11,078		11,078
Professional Fees	0		0
Materials/Supplies	7,709		7,709
Repairs/Maintenance	8,038		8,038
Printing and Reproduction	1,044		1,044
Rental/Lease	1,067		1,067
Membership Dues	2,500		2,500
Staff Development	20,305		20,305
Insurance/Employee Bonds	1,628		1,628
Employee Tuition	0		0
Advertising	0		0
Freight/Delivery	3,000		3,000
Temporary Help	3,260		3,260
Furniture/Equipment	1,500		1,500
Communications/Utilities	12,776		12,776
Capital Outlay	0		0
State Office of Risk Management	0		0
Total	586,042	11,653	574,389

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS
Salaries		
Payroll Related Costs		
Travel In-State	19,000	19,000
Travel Out-of-State	13,751	13,751
Professional Fees	500	500
Materials/Supplies	2,021	2,021
Repairs/Maintenance	1,000	1,000
Printing and Reproduction	536	536
Rental/Lease	2,000	2,000
Membership Dues	1,000	1,000
Staff Development	21,000	21,000
Insurance/Employee Bonds	0	0
Employee Tuition	0	0
Advertising	500	500
Freight/Delivery	3,000	3,000
Temporary Help	15,000	15,000
Furniture/Equipment	1,000	1,000
Communications/Utilities	0	0
Capital Outlay	0	0
State Office of Risk Management	0	0
Total	80,308	80,308

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS
Salaries	619,013	619,013
Travel In-State	4,075	4,075
Travel Out-of-State	4,410	4,410
Professional Fees	150,000	150,000
Materials/Supplies	25,166	25,166
Repairs/Maintenance	12,099	12,099
Printing and Reproduction	813	813
Rental/Lease	1,707	1,707
Membership Dues	2,000	2,000
Staff Development	8,100	8,100
Insurance/Employee Bonds	2,602	2,602
Employee Tuition	0	0
Advertising	400	400
Freight/Delivery	600	600
Temporary Help	55,516	55,516
Furniture/Equipment	1,800	1,800
Communications/Utilities	7,226	7,226
Capital Outlay	0	0
State Office of Risk Management	0	0
Total	895,527	895,527

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	275,061	248,321	26,740	0
Travel In-State	5,000	5,000		
Travel Out-of-State	1,500	1,500		
Professional Fees	0	0		
Materials/Supplies	5,270	5,270		
Repairs/Maintenance	5,951	5,951		
Printing and Reproduction	541	541		
Rental/Lease	854	854		
Membership Dues	2,000	2,000		
Staff Development	10,000	10,000		
Insurance/Employee Bonds	1,301	1,301		
Employee Tuition	2,700	2,700		
Advertising	300	300		
Freight/Delivery	200	200		
Temporary Help	1,008	1,008		
Furniture/Equipment	300	300		
Communications/Utilities	5,943	5,943		
Capital Outlay	0	0		
State Office of Risk Management	0	0		
Total	317,929	291,189	26,740	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
POLICY AND PUBLIC AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS	HOME	GENERAL REVENUE
Salaries	428,264	18,436	359,534	50,294	
Travel In-State	20,500		17,950	2,550	
Travel Out-of-State	3,145		3,145	0	
Professional Fees	60,000				60,000
Materials/Supplies	9,078		7,337	1,742	
Repairs/Maintenance	10,924		9,585	1,339	
Printing and Reproduction	8,645		6,143	2,502	
Rental/Lease	25,280		25,088	192	
Membership Dues	1,250		1,175	75	
Staff Development	10,000		9,100	900	
Insurance/Employee Bonds	1,952		1,659	293	
Employee Tuition	0				
Advertising	0				
Freight/Delivery	250		175	75	
Temporary Help	5,312		3,945	1,367	
Furniture/Equipment	900		900	0	
Communications/Utilities	11,560		10,747	813	
Capital Outlay	0				
State Office of Risk Management	1,471		1,471		
Total	598,531	18,436	457,955	62,141	60,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING PROGRAMS DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	ORCA IAC	FEDERAL FUNDS	HF APPROP. RECEIPTS	CDBG DISASTER RECOVERY
Salaries	6,187,340	561,662	66,237	3,654,461	1,879,583	25,396
Travel In-State	285,312	45,180		188,182	51,950	
Travel Out-of-State	53,887	4,809		26,062	23,016	
Professional Fees	526,200	156,000		317,800	52,400	
Materials/Supplies	215,793	12,646		157,236	45,911	
Repairs/Maintenance	205,394	14,826		142,243	48,325	
Printing and Reproduction	46,771	2,732		24,556	19,483	
Rental/Lease	109,803	21,692		66,102	22,009	
Membership Dues	22,205	1,250		18,255	2,700	
Staff Development	95,897	8,100		48,700	39,097	
Insurance/Employee Bonds	34,468	3,185		20,877	10,406	
Employee Tuition	6,670	720		3,080	2,870	
Advertising	59,700	2,163		5,063	52,475	
Freight/Delivery	15,103	1,400		7,900	5,803	
Temporary Help	106,014	13,376		44,276	48,363	
Furniture/Equipment	10,375	3,200		5,650	1,525	
Communications/Utilities	121,472	14,786		66,993	39,693	
Capital Outlay	0	0		0	0	
State Office of Risk Management	17,211	2,390		9,881	4,939	
Total	8,119,614	870,115	66,237	4,807,317	2,350,549	25,396

Note:
Housing Programs Division Includes:
- Office of Colonia Initiatives
- Community Affairs
- Multi Family Finance Production
- Texas Homeownership Program
- Real Estate Analysis
- HOME Program
- Research and Planning

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
OFFICE OF COLONIA INITIATIVES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	IAC ORCA	GENERAL REVENUE	HF APPROP. RECEIPTS
Salaries	452,684	66,237	386,446	0
Travel In-State	40,000		40,000	
Travel Out-of-State	3,675		3,675	
Professional Fees	6,000		6,000	
Materials/Supplies	9,072		9,072	
Repairs/Maintenance	10,411		10,411	
Printing and Reproduction	1,247		1,247	
Rental/Lease	18,494		18,494	
Membership Dues	1,000		1,000	
Staff Development	6,000		6,000	
Insurance/Employee Bonds	2,274		2,274	
Employee Tuition	600		600	
Advertising	2,000		2,000	
Freight/Delivery	1,000		1,000	
Temporary Help	11,270		11,270	
Furniture/Equipment	3,000		3,000	
Communications/Utilities	11,843		11,843	
Capital Outlay	0		0	
State Office of Risk Management	1,070		1,070	
Total	581,640	66,237	515,403	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	FEDERAL FUNDS
Salaries	2,123,167	2,123,167
Travel In-State	141,562	141,562
Travel Out-of-State	15,855	15,855
Professional Fees	148,000	148,000
Materials/Supplies	125,071	125,071
Repairs/Maintenance	102,509	102,509
Printing and Reproduction	11,195	11,195
Rental/Lease	37,324	37,324
Membership Dues	16,005	16,005
Staff Development	29,800	29,800
Insurance/Employee Bonds	12,682	12,682
Employee Tuition	2,000	2,000
Advertising	3,600	3,600
Freight/Delivery	4,300	4,300
Temporary Help	25,326	25,326
Furniture/Equipment	3,850	3,850
Communications/Utilities	40,506	40,506
Capital Outlay	0	0
State Office of Risk Management	8,561	8,561
Total	2,851,313	2,851,313

Note:
Community Affairs Includes:
Administration - Community Affairs
Community Services Program
Energy Assistance Program
Section 8

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ADMINISTRATION-COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	CSBG	LIHEAP
Salaries	155,223	77,612	77,612
Travel In-State	5,000	2,500	2,500
Travel Out-of-State	6,300	3,150	3,150
Professional Fees	4,000	2,000	2,000
Materials/Supplies	2,628	1,314	1,314
Repairs/Maintenance	3,475	1,738	1,738
Printing and Reproduction	739	370	370
Rental/Lease	1,427	714	714
Membership Dues	1,500	750	750
Staff Development	3,000	1,500	1,500
Insurance/Employee Bonds	650	325	325
Employee Tuition	0	0	0
Advertising	0	0	0
Freight/Delivery	500	250	250
Temporary Help	2,004	1,002	1,002
Furniture/Equipment	1,100	550	550
Communications/Utilities	3,186	1,593	1,593
Capital Outlay	0	0	0
State Office of Risk Management	0	0	0
Total	190,732	95,366	95,366

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY SERVICES PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	CSBG	ESGP
Salaries	783,762	657,844	125,917
Travel In-State	50,000	32,500	17,500
Travel Out-of-State	3,255	2,116	1,139
Professional Fees	74,000	74,000	
Materials/Supplies	18,647	18,647	
Repairs/Maintenance	22,825	22,825	
Printing and Reproduction	4,637	4,637	
Rental/Lease	23,988	23,988	
Membership Dues	7,050	7,050	
Staff Development	11,000	11,000	
Insurance/Employee Bonds	4,553	4,553	
Employee Tuition	2,000	2,000	
Advertising	0	0	
Freight/Delivery	1,000	1,000	
Temporary Help	8,528	8,528	
Furniture/Equipment	2,150	2,150	
Communications/Utilities	14,145	14,145	
Capital Outlay	0	0	
State Office of Risk Management	2,872	2,872	
Total	1,034,412	889,855	144,557

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ENERGY ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	DOE T&TA	DOE GRANTEE	LIHEAP
Salaries	841,086	94,792	120,947	625,347
Travel In-State	73,562	14,712	22,069	36,781
Travel Out-of-State	3,990	798	1,197	1,995
Professional Fees	56,000	16,800	16,800	22,400
Materials/Supplies	93,209			93,209
Repairs/Maintenance	58,798			58,798
Printing and Reproduction	3,233			3,233
Rental/Lease	10,415			10,415
Membership Dues	6,455			6,455
Staff Development	10,000			10,000
Insurance/Employee Bonds	5,203			5,203
Employee Tuition	0			0
Advertising	3,000			3,000
Freight/Delivery	2,500			2,500
Temporary Help	7,031			7,031
Furniture/Equipment	600			600
Communications/Utilities	16,852			16,852
Capital Outlay	0			0
State Office of Risk Management	3,460			3,460
Total	1,195,394	127,103	161,012	907,279

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SECTION 8 - RENTAL ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	SECTION 8
Salaries	343,096	343,096
Travel In-State	13,000	13,000
Travel Out-of-State	2,310	2,310
Professional Fees	14,000	14,000
Materials/Supplies	10,587	10,587
Repairs/Maintenance	17,411	17,411
Printing and Reproduction	2,586	2,586
Rental/Lease	1,494	1,494
Membership Dues	1,000	1,000
Staff Development	5,800	5,800
Insurance/Employee Bonds	2,276	2,276
Employee Tuition	0	0
Advertising	600	600
Freight/Delivery	300	300
Temporary Help	7,763	7,763
Furniture/Equipment	0	0
Communications/Utilities	6,323	6,323
Capital Outlay	0	0
State Office of Risk Management	2,229	2,229
Total	430,775	430,775

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY FINANCE PRODUCTION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS	GENERAL REVENUE
Salaries	711,467	711,467	0
Travel In-State	18,750	18,750	
Travel Out-of-State	9,000	9,000	
Professional Fees	25,400	25,400	
Materials/Supplies	20,740	20,740	
Repairs/Maintenance	17,850	17,850	
Printing and Reproduction	2,425	2,425	
Rental/Lease	9,461	9,461	
Membership Dues	1,500	1,500	
Staff Development	14,697	14,697	
Insurance/Employee Bonds	3,902	3,902	
Employee Tuition	2,000	2,000	
Advertising	1,875	1,875	
Freight/Delivery	2,625	2,625	
Temporary Help	25,524	25,524	
Furniture/Equipment	150	150	
Communications/Utilities	16,359	16,359	
Capital Outlay	0	0	
State Office of Risk Management	2,553	2,553	
Total	886,278	886,278	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
TEXAS HOMEOWNERSHIP PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS	GENERAL REVENUE
Salaries	354,791	325,074	29,717
Travel In-State	20,700	20,700	
Travel Out-of-State	6,017	6,017	
Professional Fees	97,000	7,000	90,000
Materials/Supplies	6,949	6,949	
Repairs/Maintenance	7,663	7,663	
Printing and Reproduction	7,499	7,499	
Rental/Lease	9,347	9,347	
Membership Dues	450	450	
Staff Development	6,300	6,300	
Insurance/Employee Bonds	1,626	1,626	
Employee Tuition	270	270	
Advertising	50,000	50,000	
Freight/Delivery	2,678	2,678	
Temporary Help	2,160	2,160	
Furniture/Equipment	675	675	
Communications/Utilities	7,276	7,276	
Capital Outlay	0	0	
State Office of Risk Management	2,386	2,386	
Total	583,786	464,068	119,717

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REAL ESTATE ANALYSIS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS	HOME	GENERAL REVENUE
Salaries	614,799	553,319	61,480	0
Travel In-State	4,000	4,000		
Travel Out-of-State	6,000	6,000		
Professional Fees	20,000	20,000		
Materials/Supplies	10,548	10,548		
Repairs/Maintenance	15,374	15,374		
Printing and Reproduction	1,016	1,016		
Rental/Lease	2,134	2,134		
Membership Dues	500	500		
Staff Development	15,100	15,100		
Insurance/Employee Bonds	3,252	3,252		
Employee Tuition	600	600		
Advertising	600	600		
Freight/Delivery	250	250		
Temporary Help	15,619	15,619		
Furniture/Equipment	700	700		
Communications/Utilities	10,412	10,412		
Capital Outlay	0	0		
State Office of Risk Management	0	0		
Total	720,904	659,424	61,480	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOME PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HOME	GENERAL REVENUE
Salaries	1,640,708	1,469,814	145,499
Travel In-State	51,800	46,620	5,180
Travel Out-of-State	11,341	10,207	1,134
Professional Fees	169,800	169,800	0
Materials/Supplies	35,739	32,165	3,574
Repairs/Maintenance	44,149	39,734	4,415
Printing and Reproduction	14,846	13,361	1,485
Rental/Lease	31,976	28,778	3,198
Membership Dues	2,500	2,250	250
Staff Development	21,000	18,900	2,100
Insurance/Employee Bonds	9,106	8,195	911
Employee Tuition	1,200	1,080	120
Advertising	1,625	1,463	163
Freight/Delivery	4,000	3,600	400
Temporary Help	21,055	18,950	2,106
Furniture/Equipment	2,000	1,800	200
Communications/Utilities	29,430	26,487	2,943
Capital Outlay	0	0	0
State Office of Risk Management	2,640	1,320	1,320
Total	2,094,915	1,894,524	174,995

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
RESEARCH AND PLANNING
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS
Salaries	289,724	289,724
Travel In-State	8,500	8,500
Travel Out-of-State	2,000	2,000
Professional Fees	60,000	60,000
Materials/Supplies	7,675	7,675
Repairs/Maintenance	7,438	7,438
Printing and Reproduction	8,543	8,543
Rental/Lease	1,067	1,067
Membership Dues	250	250
Staff Development	3,000	3,000
Insurance/Employee Bonds	1,626	1,626
Employee Tuition	0	0
Advertising	0	0
Freight/Delivery	250	250
Temporary Help	5,060	5,060
Furniture/Equipment	0	0
Communications/Utilities	5,646	5,646
Capital Outlay	0	0
State Office of Risk Management	0	0
Total	400,779	400,779

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DISASTER RECOVERY DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	CDBG DISASTER RECOVERY	FEMA AHPP
Salaries	764,640	676,973	87,667
Travel In-State	52,000	52,000	
Travel Out-of-State	8,000	8,000	
Professional Fees	110,000	110,000	
Materials/Supplies	17,219	17,219	
Repairs/Maintenance	18,350	18,350	
Printing and Reproduction	8,220	8,220	
Rental/Lease	10,061	10,061	
Membership Dues	2,000	2,000	
Staff Development	15,000	15,000	
Insurance/Employee Bonds	3,902	3,902	
Employee Tuition	1,200	1,200	
Advertising	5,000	5,000	
Freight/Delivery	3,000	3,000	
Temporary Help	38,024	23,024	15,000
Furniture/Equipment	15,000	15,000	
Communications/Utilities	14,599	14,599	
Capital Outlay	0		
State Office of Risk Management	0		
Total	1,086,215	983,548	102,667

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
AGENCY ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	EARNED FEDERAL FUNDS	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS	FEDERAL FUNDS	CDBG DISASTER RECOVERY
Salaries	6,350,224	171,370	558,494	359,534	4,326,725	934,100	0
Travel In-State	230,950	8,000	6,000		171,950	45,000	
Travel Out-of-State	29,621	1,512	1,365		21,245	5,500	
Professional Fees	293,300	0	3,000		290,300	0	
Materials/Supplies	125,480	21,019	11,296		76,483	16,682	
Repairs/Maintenance	327,786	27,588	17,862		259,671	22,665	
Printing and Reproduction	23,227	2,257	2,725		14,214	4,031	
Rental/Lease	40,485	5,267	2,348		25,115	7,755	
Membership Dues	53,370	1,000	700		49,870	1,800	
Staff Development	132,468	19,560	21,000		85,308	6,600	
Insurance/Employee Bonds	46,147	5,008	3,577		32,868	4,693	
Employee Tuition	7,430	2,000	900		4,200	330	
Advertising	27,100	1,200	1,200		24,200	500	
Freight/Delivery	8,250	700	500		6,050	1,000	
Temporary Help	112,655	12,880	8,772		60,767	30,236	
Furniture/Equipment	16,310	1,060	800		11,540	2,910	
Communications/Utilities	120,216	18,878	9,935		71,671	19,732	
Capital Outlay	0	0	0		0	0	
State Office of Risk Management	20,741	872	2,071		17,798	0	
Total	7,965,760	300,170	652,545	359,534	5,549,976	1,103,534	0

Note:
Agency Administration Includes:
Human Resources
Information Systems
Financial Administration
Portfolio Management and Compliance
Bond Finance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HUMAN RESOURCES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	253,936	24,410	229,525
Travel In-State	500		500
Travel Out-of-State	2,000		2,000
Professional Fees	7,500		7,500
Materials/Supplies	5,761		5,761
Repairs/Maintenance	40,451		40,451
Printing and Reproduction	568		568
Rental/Lease	854		854
Membership Dues	880		880
Staff Development	25,368		25,368
Insurance/Employee Bonds	1,301		1,301
Employee Tuition	0		0
Advertising	15,000		15,000
Freight/Delivery	350		350
Temporary Help	4,008		4,008
Furniture/Equipment	600		600
Communications/Utilities	3,613		3,613
Capital Outlay	0		0
State Office of Risk Management	0		0
Total	362,690	24,410	338,279

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INFORMATION SYSTEMS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	1,248,438	61,020	141,875	1,045,543
Travel In-State	10,000	6,000		4,000
Travel Out-of-State	2,520	1,512		1,008
Professional Fees	0	0		0
Materials/Supplies	28,376	17,026		11,350
Repairs/Maintenance	35,561	21,337		14,224
Printing and Reproduction	2,735	1,641		1,094
Rental/Lease	7,355	4,413		2,942
Membership Dues	1,000	600		400
Staff Development	30,000	18,000		12,000
Insurance/Employee Bonds	6,179	3,707		2,472
Employee Tuition	0	0		0
Advertising	1,500	900		600
Freight/Delivery	1,000	600		400
Temporary Help	14,787	8,872		5,915
Furniture/Equipment	600	360		240
Communications/Utilities	25,441	15,265		10,176
Capital Outlay	0	0		0
State Office of Risk Management	3,161	483		2,678
Total	1,418,653	161,735	141,875	1,115,043

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	FEDERAL FUNDS	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS	GENERAL REVENUE
Salaries	2,466,986	558,494	123,330	193,249	1,481,563	110,350
Travel In-State	23,950	6,000			15,950	2,000
Travel Out-of-State	6,442	1,365			5,077	0
Professional Fees	147,800	3,000			144,800	0
Materials/Supplies	41,671	11,296			26,382	3,993
Repairs/Maintenance	124,287	17,862			100,174	6,251
Printing and Reproduction	7,590	2,725			4,249	616
Rental/Lease	10,351	2,348			7,149	854
Membership Dues	5,510	700			4,410	400
Staff Development	45,500	21,000			22,940	1,560
Insurance/Employee Bonds	25,333	3,577			20,455	1,301
Employee Tuition	4,100	900			1,200	2,000
Advertising	2,100	1,200			600	300
Freight/Delivery	2,400	500			1,800	100
Temporary Help	32,930	8,772			20,150	4,008
Furniture/Equipment	10,000	800			8,500	700
Communications/Utilities	41,482	9,935			27,934	3,613
Capital Outlay	0	0			0	0
State Office of Risk Management	11,903	2,071			9,443	389
Total	3,010,335	652,545	123,330	193,249	1,902,776	138,435

Note:
Financial Administration Includes:
Director's Office
Accounting Operations
Financial Services
Purchasing and Facilities Management

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DIRECTOR'S OFFICE of FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS	GENERAL REVENUE
Salaries	490,198	89,680	49,858	287,478	63,181
Travel In-State	7,000			7,000	
Travel Out-of-State	2,625			2,625	
Professional Fees	17,000			17,000	
Materials/Supplies	7,556			7,556	
Repairs/Maintenance	10,411			10,411	
Printing and Reproduction	1,247			1,247	
Rental/Lease	2,494			2,494	
Membership Dues	1,000			1,000	
Staff Development	3,000			3,000	
Insurance/Employee Bonds	2,276			2,276	
Employee Tuition	600			600	
Advertising	600			600	
Freight/Delivery	700			700	
Temporary Help	2,563			2,563	
Furniture/Equipment	500			500	
Communications/Utilities	6,823			6,823	
Capital Outlay	0			0	
State Office of Risk Management	8,654			8,473	181
Total	565,247	89,680	49,858	362,346	63,363

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ACCOUNTING OPERATIONS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	691,796	468,815	95,731	127,250
Travel In-State	6,000	6,000		
Travel Out-of-State	1,365	1,365		
Professional Fees	3,000	3,000		
Materials/Supplies	11,296	11,296		
Repairs/Maintenance	17,862	17,862		
Printing and Reproduction	2,725	2,725		
Rental/Lease	2,348	2,348		
Membership Dues	700	700		
Staff Development	21,000	21,000		
Insurance/Employee Bonds	3,577	3,577		
Employee Tuition	900	900		
Advertising	1,200	1,200		
Freight/Delivery	500	500		
Temporary Help	8,772	8,772		
Furniture/Equipment	800	800		
Communications/Utilities	9,935	9,935		
Capital Outlay	0	0		
State Office of Risk Management	2,071	2,071		
Total	785,846	562,865	95,731	127,250

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	HF APPROP. RECEIPTS*	HOME
Salaries	856,717	733,387	123,330
Travel In-State	7,950	7,950	
Travel Out-of-State	2,452	2,452	
Professional Fees	127,800	127,800	
Materials/Supplies	14,581	14,581	
Repairs/Maintenance	82,312	82,312	
Printing and Reproduction	1,524	1,524	
Rental/Lease	3,201	3,201	
Membership Dues	3,070	3,070	
Staff Development	15,940	15,940	
Insurance/Employee Bonds	16,878	16,878	
Employee Tuition	600	600	
Advertising	0	0	
Freight/Delivery	1,000	1,000	
Temporary Help	3,779	3,779	
Furniture/Equipment	800	800	
Communications/Utilities	15,918	15,918	
Capital Outlay	0	0	
State Office of Risk Management	0	0	
Total	1,154,522	1,031,192	123,330

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PURCHASING and FACILITIES MANAGEMENT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	MH APPROP. RECEIPTS	HF APPROP. RECEIPTS
Salaries	428,276	47,169	47,659	333,448
Travel In-State	3,000	2,000		1,000
Travel Out-of-State	0	0		0
Professional Fees	0	0		0
Materials/Supplies	8,238	3,993		4,245
Repairs/Maintenance	13,702	6,251		7,451
Printing and Reproduction	2,094	616		1,478
Rental/Lease	2,308	854		1,454
Membership Dues	740	400		340
Staff Development	5,560	1,560		4,000
Insurance/Employee Bonds	2,602	1,301		1,301
Employee Tuition	2,000	2,000		0
Advertising	300	300		0
Freight/Delivery	200	100		100
Temporary Help	17,816	4,008		13,808
Furniture/Equipment	7,900	700		7,200
Communications/Utilities	8,806	3,613		5,193
Capital Outlay	0	0		0
State Office of Risk Management	1,178	208		970
Total	504,720	75,072	47,659	381,988

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PORTFOLIO MANAGEMENT and COMPLIANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	CDBG DISASTER RECOVERY	HOME	HF APPROP. RECEIPTS
Salaries	2,078,788	0	810,770	1,268,018
Travel In-State	190,000		45,000	145,000
Travel Out-of-State	11,000		5,500	5,500
Professional Fees	134,000		0	134,000
Materials/Supplies	43,984		16,682	27,302
Repairs/Maintenance	121,536		22,665	98,871
Printing and Reproduction	11,525		4,031	7,494
Rental/Lease	21,071		7,755	13,316
Membership Dues	6,480		1,800	4,680
Staff Development	24,600		6,600	18,000
Insurance/Employee Bonds	12,033		4,693	7,340
Employee Tuition	2,730		330	2,400
Advertising	1,500		500	1,000
Freight/Delivery	2,500		1,000	1,500
Temporary Help	59,922		30,236	29,686
Furniture/Equipment	4,110		2,910	1,200
Communications/Utilities	44,687		19,732	24,955
Capital Outlay	0		0	0
State Office of Risk Management	5,677		0	5,677
Total	2,776,143	0	980,204	1,795,938

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOND FINANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2008 thru AUGUST 31, 2009

BUDGET CATEGORIES	BUDGETED	SINGLE FAMILY BOND ADMIN	MULTI FAMILY BOND ADMIN
Salaries	302,075	271,868	30,208
Travel In-State	6,500	5,850	650
Travel Out-of-State	7,660	6,894	766
Professional Fees	4,000	3,600	400
Materials/Supplies	5,688	5,119	569
Repairs/Maintenance	5,951	5,356	595
Printing and Reproduction	809	728	81
Rental/Lease	854	769	85
Membership Dues	39,500	35,550	3,950
Staff Development	7,000	6,300	700
Insurance/Employee Bonds	1,301	1,171	130
Employee Tuition	600	540	60
Advertising	7,000	6,300	700
Freight/Delivery	2,000	1,800	200
Temporary Help	1,008	907	101
Furniture/Equipment	1,000	900	100
Communications/Utilities	4,993	4,494	499
Capital Outlay	0	0	0
State Office of Risk Management	0	0	0
Total	397,939	358,145	39,794

Financial Administration Division
Board Action Request
June 26, 2008

Action Item

The Department staff will present the FY 2009 Draft Housing Finance Operating Budget for the Board's consideration and approval.

Required Action

The Board consider for approval the attached FY 2009 Draft Housing Finance Operating Budget for fiscal year beginning September 1, 2008 through August 31, 2009.

Background

In accordance with Section 2306.113 of the Texas Government Code, the Department shall create a separate annual budget for the Housing Finance Division to certify the housing program fee revenue that supports the Department. The Housing Finance Operating Budget for FY 2009 is within the appropriations approved by the 80th Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

DRAFT
ANNUAL HOUSING FINANCE OPERATING BUDGET

FISCAL YEAR 2009

Prepared by the Financial Administration Division

Texas Department of Housing and Community Affairs
Housing Finance Budget
Appropriated Receipts
Fiscal Year 2009

Budget Category	Executive Administration	Agency Administration	Housing Programs Division	Capital Budget	Payroll Related Costs	Total Appropriated Receipts
Salaries	1,459,032	4,326,725	1,879,583			7,665,341
Payroll Related Costs					1,763,028	1,763,028
Travel In-State	61,025	171,950	51,950			284,925
Travel Out-of-State	32,384	21,245	23,016			76,645
Professional Fees	150,500	290,300	52,400			493,200
Materials/Supplies	42,233	76,483	45,911			164,627
Repairs/Maintenance	30,722	259,671	48,325			338,719
Printing and Reproduction	8,536	14,214	19,483			42,233
Rental/Lease	29,862	25,115	22,009			76,986
Membership Dues	6,675	49,870	2,700			59,245
Staff Development	58,505	85,308	39,097			182,910
Insurance/Employee Bonds	5,889	32,868	10,406			49,164
Employee Tuition	0	4,200	2,870			7,070
Advertising	900	24,200	52,475			77,575
Freight/Delivery	6,775	6,050	5,803			18,628
Temporary Help	77,721	60,767	48,363			186,851
Furniture/Equipment	5,200	11,540	1,525	46,887		65,152
Communications/Utilities	30,749	71,671	39,693			142,113
Capital Outlay	0	0	0	39,165		39,165
State Office of Risk Management	1,471	17,798	4,939			24,208
Total, Appropriated Receipts	2,008,179	5,549,976	2,350,549	86,052	1,763,028	11,757,784

Note: Appropriated Receipts include Bond Administration Fees, Housing Tax Credit Fees and Compliance Fees.

REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Brooke Boston, Michael Lyttle

Date: June 12, 2008

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for May 2008. 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.

221 EAST 11TH ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (800) 525-0657 ▪ (512) 475-3800

TDHCA Outreach Activities, May 2008

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
Texas Interagency Council for the Homeless Meeting	Austin	May 1	Housing Resource Center	Participant
Texas Foreclosure Prevention Task Force News Conference	Lubbock	May 6	Executive, Policy & Public Affairs	News Conference
Mental Health Transformation Work Group	Austin	May 6	Housing Resource Center	Participant
Uvalde County Technical Assistance Visit	Uvalde	May 6-7	HOME	Training/Technical Assistance
Valley Association for Independent Living Technical Assistance Visit	McAllen	May 6-7	HOME	Training/Technical Assistance
CDBG Multifamily Training	Austin	May 8	HOME	Training
Housing Tax Credit Program Compliance Workshop	Dallas	May 13	Portfolio Management & Compliance	Training
Texas Association of Community Action Agencies Conference	Corpus Christi	May 15-16	HOME	Presentation
Texas Association of Realtors Continuing Education Course	Waco	May 16	Homeownership	Training
El Paso Rehabilitation Center Technical Assistance Visit	El Paso	May 20	HOME	Training/Technical Assistance
HOME/Rental Housing Development Implementation Workshop	Austin	May 21	HOME	Training
Colonia Resident Advisory Committee (C-RAC) Meeting	Pharr	May 23	Office of Colonia Initiatives	Hearing
Aging Texas Well Meeting	Austin	May 28	Housing Resource Center	Participant
Manufactured Housing Stakeholder Rules Meeting	Austin	May 29	Manufactured Housing	Hearing

TEXAS HOMEOWNERSHIP DIVISION

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM
DELINQUENCY REPORT ITEM
JUNE 26, 2008

Due to the increase nationally in delinquencies and foreclosures, the TDHCA Board previously requested a quarterly report item on the Single Family Mortgage Revenue Bond ("MRB") Portfolio. Attached are reports summarizing the delinquency figures thus far for calendar year 2008 for MRB Programs 52 – 70. Countrywide Bank is the Master Servicer for each of these programs. In addition to listing the total number of 30 day to 120 day delinquencies by program, a separate column reflects the quarterly net change over time from quarter to quarter.

As reflected on the report, delinquencies averaged 13.92% for the last quarter of 2007 and fell to 11.82% for the first quarter of 2008 – a 2.10% drop. For the months of April and May 2008, the percentage has risen slightly to 12.48%. Since our portfolio consists primarily of Federal Housing Administration ("FHA") mortgage loans, the percentage continues to be in line with their industry standards. Please note that the majority of loans listed are categorized as 30 days delinquent and historically these tend to cure on their own.

In an effort to help reduce the number of delinquencies, TDHCA implemented a Housing Trust Fund ("HTF") funded foreclosure prevention rescue program. At the Board's direction, the program's Master Service entered into an agreement with a third party counseling provider to assist borrowers that are between 60 days and 90 days delinquent. On a monthly basis as new borrowers reach this threshold, a notification letter available in English and in Spanish is sent on behalf of TDHCA urging the borrower to contact the counseling provider. Once a borrower contacts the counseling agency, their financial situation is evaluated and a course of action is determined. If it is determined that the borrower meets the eligibility distress criteria established by the Board (two years of successful loan history, change of life event such as medical or temporary financial hardship due to loss of job and high probability for future success of payback), rescue funds may be advanced to help salvage the delinquent loan.

Although development of the program took longer than anticipated, the counseling provider, Business & Community Lenders ("BCL") of Texas has been receiving calls from homeowners. As with many borrowers, there has been an unwillingness or reluctance for some of them to make initial contact. However, once a borrower contacts BCL an application intake questionnaire is completed and the borrower's budget is reviewed. Depending on individual circumstances, available options are discussed. The next quarterly report will include an update on any funds advanced as well as the number of borrower's that have called the hotline.

Texas Department of Housing and Community Affairs

2008 3rd Quarter Transfers of Ownership for Housing Tax Credit Developments

Dev. No.	Date Approved	Development	City	County	Region	Entity Departing (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
07198	3/13/08	West Durango Plaza Apartments	San Antonio	Bexar	9	Lucas and Associates, L.P. (SLP)	None	R - Removed the Special Limited Partner.
07310	3/19/08	Gardens at Friendswood Lakes	Friendswood	Galveston	6	None	HK Friendswood, LLC (Class A LP)	R - Added a Class A Limited Partner.
04100	3/19/08	O.W. Collins Apartments	Port Arthur	Jefferson	5	None	K.T. Akbari (Special Limited Partner) and Alliant Credit Facility ALP, LLC.(Administrative Limited Partner)	R - Adding K.T. Akbari as a Special Limited Partner and Alliant Credit Facility ALP, LLC as Administrative Limited Partner.
92027	3/19/08	Arbor Oaks Apartments	Houston	Harris	6	Houston/Arbor, L.P. (O)	Optimum Arbor Oaks, LLC	S - Development sold to new owner.

Texas Department of Housing and Community Affairs
2008 3rd Quarter Administrative Amendments

Dev. No.	Date of Approval	Development	City	County	Region	Interested Parties	Subject of Amendment Approved		Approval By
05198	2/1/08	Olive Grove Manor	Houston	Harris	6	Harris County Housing Authority	Open parking was reduced from 80 spaces to 21 in compliance with local code.		ED
07306	2/11/08	Zion Village	Houston	Harris	6	Newal & Marvelette Hunter (O); Thomas Jones (O)	Nearby public transit & support facilities not claimed for points in application replaced private van.		ED
04498	2/15/08	Woodline Park	Spring	Montgomery	6	Trammell Crow (O)	Common area was restated. Building plans did not change.		ED
04465	2/19/08	Rosemont at Baytown	Houston	Harris	6	Brian Potashnik	Boiler room was eliminated (reduced area called common area in the underwriting report) because of change from central water heating to individual unit water heaters.		ED
04479	2/20/08	Providence at Village Fair	Dallas	Dallas	3	Leon Backes	Boiler room was eliminated because of change from central water heating to individual unit water heaters.		ED
05020	3/10/08	Central Place Apts.	Hereford	Deaf Smith	1	Chris Rhodes	One covered parking space was replaced by upgraded lighting for the parking and grounds.		ED
04419	3/3/08	Sphinx at Delafield	Dallas	Dallas	3	Jay Oji	Unit plans changed, including bathroom counts. Development as a whole had 4 half-baths in excess of the original plan. NRA increased from 210,856 to 226,474 sq.ft.		ED
060202	3/5/08	Beaumont Downtown Lofts	Beaumont	Jefferson	5	Hollis Fitch	Parking was indefinite at application but 108 spaces were proposed with only 28 shown on-site. Parking was finalized at 54 to 57 spaces, all but the on-site spaces being leased until 12/31/2025.		ED
05109	4/17/08	Nueva Vista	San Angelo	Tom Green	12	Douglas Gurkin	Rehabilitation. Parking of 319 open spaces became 160 carports and 159 open spaces. One exhibit indicating proposal of 160 and 319 was an error apparent from the PCA.		ED
01027	4/17/08	Springdale Estates	Austin	Travis	7	Ruel Hamilton	Change in site plan. Number of buildings, NRA and common area all increased.		ED
060040	4/17/08	San Jose Apts.	San Antonio	Bexar	9	Paul Patierno	Central boilers used instead of individual water heaters which were stated in error in the application.		ED
03035	5/5/08	Rio De Vida	Mission	Hidalgo	11	Rowan Smith, Bozrah International	Vinyl flooring was used instead of ceramic tile and over 75% masonry siding, not originally proposed, offset the scoring differential.		ED
05092	5/5/08	Vida Que Canta	Mission	Hidalgo	11	Rowan Smith, Bozrah International	Ceiling fixtures in all rooms plus ceiling fans in all bedrooms was substituted for self-cleaning ovens in all units.		ED
04496	5/6/08	Oak Tree Manor	Houston	Harris	6	Elizabeth & Vernon Young	Agreement with a Houston police officer to live on-site and provide "monitored unit security" was approved.		ED

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Dev. No.	Board Hearing	Development	City	County	Region	Owners (And Others Penalized)	Subject of Amendment	Penalties Applied
05069	11/8/07	Santa Rosa Village	Santa Rosa	Cameron	11	Volunteers of America (NP)	Approved downgrade from 14 SEER to 12 SEER HVACs with upgrade insulation; & other substitutions without clear equivalency.	10 points, 2 yrs.; No 4% penalty
04082	11/8/07	Fenner Square	Goliad	Goliad	10	Gary Driggers, alone, was penalized	Approved various deficiencies without substitutes.	1 point, 2 yrs.; No 4% penalty
04160	11/8/07	Maplewood Crossing	League City	Galveston	6	Thomas Scott, et al; Merced Housing Texas	Approved various deficiencies with substitutes.	NA
07115	11/8/07	Heights Apts.	Big Spring	Howard	12	Vaughn, Rebecca, Justin & Leah Zimmerman; Kelly Holden	Approved changed site plan and building plans.	NA
07118	11/8/07	Lakeside Apts	Mount Pleasant	Titus	4	Vaughn, Rebecca, Justin & Leah Zimmerman; Kelly Holden	Approved changed site plan and building plans.	NA
07220	11/8/07	San Gabriel Crossing	Liberty Hill	Huntsville	3	Texas Housing Foundation	Approved increased site size, changed access, rearranged buildings.	NA
05127	11/8/07	Navigation Pointe	Corpus Christi	Nueces	10	Merced Housing Texas; Manish Verma	Approved changed site plan; changed building plans; reduced number of residential buildings; replaced 4 1BRs with 4 2BRs; replaced 2.5 baths with 2 baths in 20 units converted from 2 story to one story.	NA
06024	11/8/07	Cunningham Manor	Brownsville	Cameron	11	Housing & Community Services (NP)	Approved elimination of HOME loan.	NA
01042	11/8/07	Fountains at Tidwell	Houston	Harris	6	Isaac Matthews, Barry Kahn, John Hettig	Approved soccer, baseball, basketball, walking trail, picnic area and parking lot were replaced by putting green & basketball court, only. Approval provided future release of 5.5048 acres from LURA if acreage is awarded 9% credits.	NA
04427	12/20/07	Rosemont at Hidden Creek	Austin	Travis	7	Housing Services, Inc.; Southwest Housing	Approved increase in 1BR units, and decreases in 2BR units, NRA and parking spaces.	NA
00032T	12/20/07	Victory Apartments	Houston	Harris	6	Housing Authority of the City of Houston	Approved change in income & rent restrictions.	NA
04105	12/20/07	Preston Trace	Frisco	Collin	3	Frisco Housing Authority; Alliant Capital	Board gave 90 days for owner to resolve deficiencies (including HUB issue).	Pending
04118	12/20/07	Churchill at Commerce	Commerce	Hunt	3	LifeNet Community Behavioral Healthcare	Approved reduction in common area and increase in number of residential buildings.	NA
04191	12/20/07	Tropical Gardens at Boca Chica	Brownsville	Cameron	11	Brownsville Housing Authority	Approved changes in unit mix, site plan and other items.	NA

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04193	12/20/07	Providence at Edinburg	Edinburg	Hidalgo	11	Edinburg Housing Authority (O); Saleem Jafar (D);	Approved numerous changes, including 21% decrease in NRA, change in unit mix and changes in amenities.	1 pt. on developer (Jafar, only) for 2 yrs.; 1 pt. on owner for 1 yr.
04255	12/20/07	Freeport Oaks	Freeport	Brazoria	6	Richard, Les & Dianne Kilday	Board gave 90 days for owner to replace HUB and HUB was replaced on 2/29/08, within the 90 day period.	
04260	12/20/07	Fredericksburg II	Fredericksburg	Gillespie	9	Texas Housing Foundation (NP,O); Richard, Les & Dianne Kilday (D)	Board gave 90 days for owner to replace HUB.	Applicant obtained new HUB cert.
05004	12/20/07	Samuels Place	Fort Worth	Tarrant	3	Fort Worth Affordability, Inc. (NP,O)	Approved staff recommendation restricting 8 units to 30%.	NA
05084	12/20/07	Pecan Village	Wharton	Wharton	6	James W. Fieser	Board gave 90 days to survey tenants & install either carports or dishwashers according to responses.	Applicant complied with Board instruction.
04167	12/20/07	Oxford Place	Houston	Harris	6	Housing Authority of the City of Houston	Approved decrease in common area of 1,065 s.f. offset by increase in NRA of 10,050 s.f. Energy Star appliances substituted for self-cleaning ovens.	NA
07177	1/31/08	Hamilton Senior Villages	Hamilton	Hamilton	8	Louis & Bonita Williams	Approved 2.6 acre reduction of site, added perimeter fence, R-19 & R-30 insulation, laundry room.	NA
94114	1/31/08	Villas of Rock Prairie	College Station	Brazos	8	Deborah Griffin	Approved eminent domain taking of 0.38 acres and 4 1BR units.	NA
05026	1/31/08	Mesa Vista	Donna	Hidalgo	11	Donna Housing Authority	Approved increasing site from 4 to 6 acres.	NA
04447	1/31/08	Rosemont at Bethel	San Antonio	Bexar	9	Brian Potashnik	Approved site reduction from 20 to 16.4 acres, parking space changes. Clubhouse & GBA increased.	1 point, 1 yr.
02040	1/31/08	Residences on Stillhouse Road	Paris	Lamar	4	Mark & Laura Musemeche	Approved change in site plan & building plans. NRA increased from 51,400 to 55,328 s.f.	1 point, 1 yr.
01420	1/31/08	Park at Pineywoods	Conroe	Montgomery	6	Trammell Crow	Approved 188 units instead of 208, 16 buildings vs. 26, different unit mix, etc.	NA
07295	5/8/08	The Bluestone	Mabank	Henderson	4	Eric Hartzell, Bruce Spitzengel, Clair M. Davis, III	Approved converting 6 1-story buildings into 3 2-story, reducing total buildings from 13 to 10.	NA
05207	5/8/08	City View at the Park	Austin	Travis	7	Strategic Housing Finance Corporation	Approved releasing 1.675 acres from the original 4.447 acres for later development of phase 2.	NA